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NTG Nordic Transport Group Annual Report for 2022

NTG Nordic Transport Group A/S (“NTG”) has today published the 2022 annual report. Selected financial highlights are presented below:

(DKKm)	Full year		Q4	
	2022	2021	2022	2021
Net revenue	10,224	7,302	2,496	2,172
Gross profit	2,012	1,474	518	443
Operating profit before special items (adj. EBIT)	758	542	173	161
Profit for the year	535	385		
Earnings per share (DKK)	21.77	15.64		
Gross margin	19.7%	20.2%	20.8%	20.4%
Operating margin	7.4%	7.4%	6.9%	7.4%
Conversion ratio	37.7%	36.8%	33.4%	36.3%
ROIC before tax	46.0%	50.9%		

“2022 proved to be another successful year for NTG, and I am proud that our employees navigated change and overcame numerous challenges in close collaboration with our customers. In 2022, we achieved an adjusted EBIT growth of 39.9%, delivering on our guidance for the year. The adjusted free cash flow increased 147.9% compared to 2021, enabling us to pursue new investment opportunities in 2023. In 2022, we also continued to assume responsibility for NTG’s environmental footprint, and in 2023, we will commit to reducing our carbon emissions by defining emission reduction targets for validation by the Science Based Targets initiative”, says Michael Larsen, Group CEO.

Q4 2022 results

Net revenue totalled DKK 2,496 million in Q4 2022, compared to DKK 2,172 million in Q4 2021, corresponding to an increase of 14.9%. Total growth was composed of 17.4% acquired growth and FX effects of negative 2.5%. Organic growth was 0.0% for the period, due to declining freight rates and reduced activity compared to the first three quarters of 2022.

Gross profit increased 16.9% to DKK 518 million in Q4 2022, compared to DKK 443 million in Q4 2021, corresponding to a gross margin of 20.8% and 20.4%, respectively. The margin development was driven by a gross margin decrease of 0.5 percentage points within the Road & Logistics division, compared to Q4 2021, due to reduced activity and declining spot rates. In the Air & Ocean division, the normalisation of freight rates resulted in a gross margin improvement of 3.1 percentage points compared to the same period last year.

Operating profit before special items increased 7.5% to DKK 173 million in Q4 2022, compared to DKK 161 million in Q4 2021, corresponding to an operating margin of 6.9% and 7.4%, respectively. The margin development was driven by an operating margin decline of 0.1 and 0.7 percentage points in the Road & Logistics and Air & Ocean division, respectively, due to the challenging market conditions in the fourth quarter of the year and merger restructuring activities following the acquisition of AGL.

Outlook for 2023

For the full year 2023, NTG expects:

- EBIT before special items of DKK 620-700 million.

The outlook assumes a weakening macroeconomic environment with continued destocking and muted consumer confidence in the first half of 2023, followed by a gradual rebound in activity during the second half of the year.

The Road & Logistics division is assumed to experience a low single-digit decline in volumes in 2023 compared to 2022. The assumption is based on expectations of moderate adverse developments in transport activity and changing market dynamics driving increasing repositioning cost on certain corridors, partially offset by reduced capacity shortages and normalised spot rates.

The Air & Ocean division is assumed to experience a single-digit decline in volumes in 2023 compared to 2022, with freight rates and yields continuing to decline. The assumption is based on expectations of reduced transport activity resulting from continued inventory depletion and soft consumer confidence.

The outlook for 2023 includes the full-year effects of the acquisitions of Aries Global Logistics, Kontinent Transport, and Solida Logistik. The outlook does not include potential impact from acquisitions during 2023, if any.

The outlook further assumes currency exchange rates at current levels.

Uncertainty remains high and the assumptions underlying the outlook may change.

For 2023, no guidance will be provided on net revenue. This is driven by a combination of freight rate volatility and limited visibility impeding predictability of pass-through revenue effects. Whether revenue guidance will be resumed will be assessed in the wake of any market stabilisation.

Medium-term financial target

Our medium-term target, introduced in 2022, remains unchanged, and we strive to achieve DKK 1 billion in adjusted EBIT no later than by the end of 2027, based on a combination of organic growth and M&A.

We expect to realise the target through redeployment of free cash flow, and by utilising existing credit facilities of the Group, subject to a ratio of net-interest bearing debt to EBITDA of less than 3.0 and no capital increases.

The medium-term target is based on the key assumptions of no additional material adverse events affecting regional and global cargo volumes and trade patterns. The medium-term target further assumes that NTG continues to develop the business, establish start-ups, and execute the M&A agenda.

Dividend

No dividend is proposed for 2022.

Share buy-back program

A new share buy-back program of DKK 75 million is announced today in a separate company announcement. The program will run from 9 March 2023 to 5 May 2023 at the latest, both days inclusive.

FY 2022 conference call

In connection with publication of the full year financial results for 2022, a conference call will be hosted on 9 March 2023 at 10:00 AM CET. The conference call will be held in English and can be followed live via NTG's website; investor.ntg.com.

Additional information

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Attachments

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