



Hypoport AG

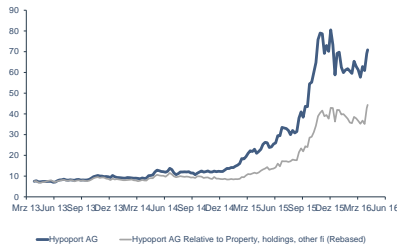
Buy → | Target price : 89.00 EUR vs 74.00 EUR ↗

Price : 70.90 EUR | Upside : 26 %

Est.chg	2016e	2017e
EPS	0.0%	0.0%

Very solid start into 2016 – raising our TP to € 89.00, reiterate Buy

Tuesday 03 May 2016



Capital			
HYQ GY HYQGn.DE			
Market Cap (EURm)			435
Enterprise value (EURm)			405
Extrema 12 months	21.10	-	80.50
Free Float (%)			ns

Performance (%)			
	1m	3m	12m
Absolute	15.8	2.2	237.6
Perf. rel. Country Index	13.1	0.2	291.6
Perf. rel. Property, holding	14.4	-1.3	283.4

P&L			
	12/16e	12/17e	12/18e
Sales (EURm)	155	173	192
EBITDA (EURm)	31.2	35.5	39.5
Adj. EBIT (EURm)	24.7	28.1	32.0
Attr. net profit (EURm)	19.6	22.3	25.4
Adjusted EPS (EUR)	3.27	3.78	4.39
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	21.7	18.7	16.2
P/B (x)	5.9	4.4	3.4
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	2.1	4.6	5.0
EV/Sales (x)	2.61	2.19	1.82
EV/EBITDA (x)	13.0	10.7	8.9
EV/Current EBIT (x)	16.4	13.5	10.9
Gearing (%)	-31	-44	-52
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

01.08.2016	Q2 Results
31.10.2016	Q3 Results

Final Q1 2016 figures in line with prelims; full-year guidance intact

Hypoport AG released its final Q1 2016 figures in line with the prelims. Sales, at € 35.7m, were up 7.1% yoy and almost unchanged qoq (-0.6%); EBIT surged +41.9% yoy and 19.1% qoq to € 6.6m, implying an EBIT margin of 15.2% (+370bps yoy / +250bps qoq). EPS was up +39.5% yoy and +4.8% qoq to € 0.70. Given this very solid start into 2016, despite the introduction of new regulations in the mortgage finance market (Germany's Mortgage Credit Directive/MCD), management continues to expect top- and bottom-line growth in the low double digits for the full year 2016, both at the group level and in the individual business segments.

Hypoport AG: Q1 2016 key financials, yoy and qoq comparisons

IFRS	EURm	Q1 2016	Q1 2015	Chg yoy	Q4 2015	Chg qoq
Sales		35.7	33.3	7.1%	35.9	-0.6%
Gross profit		18.6	17.2	8.5%	18.5	0.8%
EBITDA		6.6	5.1	28.6%	6.2	5.9%
EBIT		5.4	3.8	41.9%	4.6	19.1%
EBIT margin in %		15.2%	11.5%	-	12.7%	-
Net income		4.3	3.0	39.5%	4.1	4.8%
EPS in EUR		0.70	0.50	39.5%	0.66	4.8%

Source : Company data, Oddo Seydler Bank AG

Private Clients segment posts strongest earnings growth (+117% yoy)

In the **Financial Service Providers segment (FSP)**, due mainly to the MCD introduction, transaction volume decreased 6.3% yoy to € 10.4bn. In addition, FSP successfully completed its biggest-ever IT project, the development of the new BaufiSmart building finance front end. FSP's sales rose, however, to € 10.8m (Q1 2015: € 10.1m) while segment EBIT was flat at € 2.5m due not least to increased costs linked to the planned expansion of key account resources for the EUROPACE, FinMaS and Genopace platforms. The corresponding EBIT margin slipped to 23.1% (Q1 2015: 24.8%). By focusing on product suppliers that were not constrained by the MCD, the **Private Clients segment (PC)** further expanded its market share in the mortgage finance business and achieved record sales of € 20.9m (+7.7% yoy). PC's EBIT improved considerably to € 2.5m (Q1 2015: € 1.2m) and the EBIT margin rose to 12.0% (Q1 2016: 6.2%) due to i) the migration to EUROPACE BaufiSmart, leading to efficiency gains for advisors and ii) lower losses attributable to the insurance business. In the **Institutional Client segment (IC)**, although new business volume was down 24.6% reflecting typical volatility, several complex one-off big ticket deals helped to boost sales to € 4.2m (Q1 2015: € 3.9m). With EBIT at € 1.4m (Q1 2015: € 1.3m), IC's operating margin remained virtually unchanged at 33.3%.

Based solely on DCF, we raise our TP to € 89.00; upside: +26%

We see no need to change our estimates or general investment case based on the Q1 2016 results. However, we have now decided to base our TP solely on our DCF valuation model as we believe that this model captures the company's long term growth prospects better than a peer-multiple approach. Our updated DCF model renders a FVpS of € 88.75, and thus we raise our TP from € 74.00 to € 89.00, implying 26% upside. At our TP the shares would trade at a forward P/E 2016e of 27.2x, which puts Hypoport at the upper end of the peer distribution. We consider this justified given the company's double-digit revenue CAGR for 2016-18e of 11.3% on our estimates combined with its highly scalable business model. Buy.

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VALUATION

Discounted Cash Flow Model

EURm	PHASE 1					PHASE 2					PHASE 3
	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	∞
Sales	155.3	173.1	191.8	211.9	233.0	255.1	278.1	301.9	326.4	351.6	
YoY growth	11.8%	11.5%	10.8%	10.5%	10.0%	9.5%	9.0%	8.6%	8.1%	7.7%	
EBIT	24.7	28.1	32.0	36.0	40.0	44.2	48.7	53.4	58.3	63.4	
EBIT margin	15.9%	16.3%	16.7%	17.0%	17.2%	17.3%	17.5%	17.7%	17.9%	18.0%	
Income tax on EBIT (cash tax rate)	-7.4	-8.4	-9.6	-10.8	-12.0	-13.3	-14.6	-16.0	-17.5	-19.0	
Depreciation and amortisation	6.4	7.4	7.4	7.3	4.2	5.7	6.1	6.6	6.8	6.4	
Change in net working capital	-12.5	-6.4	-7.2	-4.4	-4.6	-4.8	-5.0	-5.2	-5.4	-5.5	
Net capital expenditure	-4.5	-4.1	-4.9	-5.4	-5.9	-6.5	-7.2	-7.5	-6.8	-6.4	
Free cash flow	6.7	16.6	17.7	22.7	21.7	25.4	28.0	31.3	35.5	38.9	
Present values	6.9	15.8	15.6	18.6	16.4	17.8	18.2	18.9	19.9	20.2	368.8
Present value Phase 1	38.4										
Present value Phase 2	130.0										
Present value Phase 3	368.8										
Total present value	537.2										
+ Excess cash	17.3										
- Financial debt	-10.1										
- Minority interest (estimated market value)	0.0										
Fair value of equity	544.4										
Number of shares (m)	6.134										
Fair value per share (EUR)	88.75										

Risk free rate	2.50%	Target equity ratio	60.0%
Equity risk premium	6.00%	Beta (fundamental)	1.30
Debt risk premium	2.50%	WACC	7.58%
Tax shield	30.0%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	6.6%	94.87	101.61	109.83	120.06	133.14
	7.1%	86.33	91.75	98.24	106.15	115.99
	7.6%	79.12	83.54	88.75	95.00	102.60
	8.1%	72.93	76.59	80.84	85.86	91.87
	8.6%	67.58	70.63	74.15	78.24	83.07

Source : Oddo Seydler Bank AG

Consensus peer group P/E multiples and sales growth 2016-18e

Company name	Country	Mcap EURm	P/E (x) 2016e	P/E (x) 2017e	P/E (x) 2018e	Sales growth (%) 2016e	Sales growth (%) 2017e	Sales growth (%) 2018e
Hypoport AG	GE	439.9	21.8	18.8	16.4	12.7	10.6	8.7
Wirecard AG	GE	4,629.4	22.1	17.9	14.5	30.3	21.6	20.0
comdirect bank AG	GE	1,406.6	18.1	22.9	19.2	6.0	-3.3	3.2
Fintech Group AG	GE	290.8	28.8	14.2	11.1	18.4	9.6	10.7
MoneySuperMarket.com	GB	2,204.1	20.5	18.8	17.3	-0.8	7.2	6.4
Paragon Group Companies Plc	GB	1,108.9	7.5	6.8	6.2	12.2	10.0	8.6
PayPal Holding Inc	US	40,907.6	26.3	22.3	19.3	12.2	15.9	15.9
E*Trade Financial Corp	US	6,218.6	15.6	14.3	12.9	31.2	4.6	4.2
Ferratum OYJ	FI	510.5	24.9	13.4	10.1	54.1	48.1	33.8
Avanza Bank Holding AB	SW	958.5	21.3	18.3	15.6	4.0	14.3	15.0
Nordnet AB	SW	514.7	15.1	12.4	10.0	2.2	10.9	11.3
Average		5,875.0	20.0	16.1	13.6	16.8	13.9	12.9
Median		1,257.7	20.9	16.1	13.7	12.2	10.5	11.0
MLP AG	GE	369.4	16.1	12.5	9.9	6.1	4.2	3.3
OVB HOLDING AG	GE	245.5	26.1	24.4	22.7	-3.6	2.1	2.3
JDC GROUP AG	GE	58.4	29.1	14.9	10.6	15.5	10.1	6.3

Source : Bloomberg, Oddo Seydler Bank AG

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Financial Services | Germany

Buy

Upside 25.53%

Price

TP

70.90EUR

89.00EUR

PER SHARE DATA (EUR)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Adjusted EPS	0.60	-0.13	0.51	0.97	2.63	3.27	3.78	4.39
Reported EPS	0.60	-0.13	0.51	0.97	2.63	3.27	3.78	4.39
Growth in EPS(%)	13.2%	ns	ns	88.6%	ns	24.4%	15.8%	15.9%
Net dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF to equity per share	-0.10	0.20	0.67	0.37	3.24	1.51	3.27	3.58
Book value per share	5.01	4.81	5.34	6.31	8.68	12.00	15.99	20.65
Number of shares market cap	6.19	6.16	6.14	6.12	6.04	6.00	5.90	5.80
Number of diluted shares	6.19	6.16	6.14	6.12	6.04	6.00	5.90	5.80
VALUATION	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
12m highest price	11.95	12.15	10.46	13.78	80.50	78.35		
12m lowest price	6.95	6.95	7.03	8.67	12.16	53.59		
(*) Reference price	9.42	8.94	8.27	11.01	33.28	70.90	70.90	70.90
Capitalization	58	55	51	67	201	425	418	411
Restated Net debt	11	9.7	5.9	3.9	-13.5	-22.5	-41.8	-61.6
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Provisions	2.5	1.9	0.5	1.0	2.1	2.1	2.1	1.1
Enterprise Value	72	67	57	72	190	405	379	350
P/E (x)	16	ns	16	11	13	22	19	16
P/CF (x)	6.4	59	5.2	4.4	5.7	13	14	13
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	ns	2.3%	8.1%	3.3%	9.7%	2.1%	4.6%	5.0%
P/B incl. GW (x)	1.88	1.86	1.55	1.74	3.84	5.91	4.43	3.43
P/B excl. GW (x)	1.88	1.86	1.55	1.74	3.84	5.91	4.43	3.43
EV/Sales (x)	0.85	0.76	0.58	0.64	1.36	2.61	2.19	1.82
EV/EBITDA (x)	6.3	8.2	7.0	5.7	7.6	13	11	8.9
EV/EBIT (x)	11	21	14	9.1	9.8	16	13	11
(*) historical average price								
PROFIT AND LOSS (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales	84	88	98	112	139	155	173	192
EBITDA	11.5	8.1	8.1	12.7	25.1	31.2	35.5	39.5
Depreciations	-4.7	-4.9	-4.2	-4.8	-5.8	-6.4	-7.4	-7.4
Adj. EBIT	6.8	3.2	3.9	7.9	19.3	24.7	28.1	32.0
Published EBIT	6.8	3.2	3.9	7.9	19.3	24.7	28.1	32.0
Net financial income	-0.7	-0.9	-0.9	-0.7	-0.1	-0.5	-0.6	-0.6
Corporate Tax	-1.6	-0.4	0.1	-1.3	-3.2	-4.6	-5.2	-6.0
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	-0.7	-2.8	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	3.7	-0.8	3.1	5.9	15.9	19.6	22.3	25.4
Adjusted attributable net profit	3.7	-0.8	3.1	5.9	15.9	19.6	22.3	25.4
BALANCE SHEET (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	28	28	30	31	32	30	27	25
Tangible fixed assets	2.5	2.6	2.2	2.2	2.6	2.6	2.3	2.0
WCR	12	11	6.9	9.0	4.9	17	24	38
Financial assets	2.2	0.5	0.8	1.6	1.9	1.9	1.9	1.9
Ordinary shareholders equity	31	30	33	39	52	72	94	120
Minority interests	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Shareholders equity	31	30	33	39	53	72	95	120
Non-current provisions	2.5	1.9	0.5	1.0	2.1	2.1	2.1	2.1
Net debt	11	9.7	5.9	3.9	-13.5	-22.5	-41.8	-62.6
CASH FLOW STATEMENT (EURm)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
EBITDA	11.5	8.1	8.1	12.7	25.1	31.2	35.5	39.5
Change in WCR	-4.4	1.2	3.7	-3.0	2.9	-12.5	-6.4	-7.2
Interests & taxes	-1.4	-1.5	-1.5	-1.3	-2.9	-5.1	-5.8	-6.6
Others	-1.0	-0.1	-0.5	0.0	1.6	0.0	0.0	0.0
Operating Cash flow	4.7	7.8	9.9	8.4	26.7	13.6	23.4	25.6
CAPEX	-5.3	-6.5	-5.7	-6.2	-7.1	-4.5	-4.1	-4.9
Free cash-flow	-0.6	1.2	4.1	2.2	19.6	9.0	19.3	20.8
Acquisitions / disposals	-0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net capital increase	0.0	-0.6	0.0	0.0	-2.3	0.0	0.0	0.0
Others	-2.6	0.4	-1.4	-1.2	-4.6	-1.1	-1.1	-1.1
Change in net debt	-1.1	0.7	4.2	1.9	17.3	9.0	19.3	20.8
GROWTH MARGINS PRODUCTIVITY	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Sales growth	26.1%	4.0%	11.8%	14.5%	23.7%	11.8%	11.5%	10.8%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	5.1%	-52.7%	23.5%	ns	ns	28.4%	13.8%	13.9%
Growth in EPS(%)	13.2%	ns	ns	88.6%	ns	24.4%	15.8%	15.9%
Net margin	4.4%	-0.9%	3.2%	5.3%	11.4%	12.6%	12.9%	13.3%
EBITDA margin	13.6%	9.3%	8.3%	11.3%	18.0%	20.1%	20.5%	20.6%
Current EBIT margin	8.0%	3.6%	4.0%	7.1%	13.9%	15.9%	16.3%	16.7%
CAPEX / Sales	-6.2%	-7.4%	-5.8%	-5.5%	-5.1%	-2.9%	-2.4%	-2.6%
WCR / Sales	14.7%	12.2%	7.0%	8.0%	3.5%	11.2%	13.7%	19.8%
Tax Rate	25.8%	16.9%	-3.3%	18.2%	16.9%	19.0%	19.0%	19.0%
Normative tax rate	-23.8%	-53.2%	-31.1%	-20.1%	-28.3%	-30.3%	-25.8%	22.2%
Asset Turnover	2.1	2.1	2.5	2.8	3.4	3.5	3.4	3.3
ROCE post-tax (normative tax rate)	20.8%	11.7%	13.0%	23.6%	60.6%	72.1%	68.8%	42.4%
ROCE post-tax hors GW (normative tax rate)	20.8%	11.7%	13.0%	23.6%	60.6%	72.1%	68.8%	42.4%
ROE	12.8%	-2.7%	10.1%	16.6%	34.9%	31.5%	26.8%	23.8%
DEBT RATIOS	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Gearing	36%	33%	18%	10%	-26%	-31%	-44%	-52%
Net Debt / Market Cap	0.19	0.18	0.12	0.06	-0.07	-0.05	-0.10	-0.15
Net debt / EBITDA	0.97	1.20	0.72	0.31	ns	ns	ns	ns
EBITDA / net financial charges	ns	ns	ns	ns	ns	ns	ns	ns

Recommendation and target price changes history over the last 12 months for the company analysed in this report

Date	Reco	Price Target (EUR)	Price (EUR)
03.05.16	Buy	89.00	70.90
22.03.16	Buy	74.00	64.84
23.02.16	Buy	72.00	59.58
11.01.16	Neutral	77.00	73.68
02.11.15	Buy	64.00	56.00
21.10.15	Buy	57.00	49.99
22.07.15	Buy	41.00	32.09
04.05.15	Buy	26.00	21.32

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