

Hypoport AG

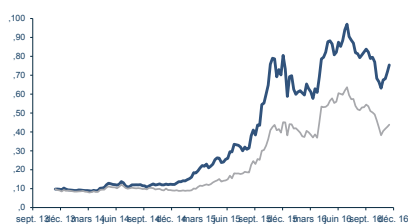
Buy | Target : 102.00 EUR

Price : 75.40 EUR | Upside : 35 %

FinTech meets mortgages: poised for growth

Friday 16 December 2016

Corporate Governance : -


Capital

HYQ GY HYQGn.DE	
Market Cap (EURm)	463
Enterprise value (EURm)	448
Extrema 12 months	53.59 - 97.00
Free Float (%)	56.1

Performance (%)	1m	3m	12m
Absolute	11.7	-4.0	5.1
Perf. rel. "sector"	5.6	-8.9	5.3
Perf. rel. Property, holding	8.6	-7.7	9.9

P&L	12/16e	12/17e	12/18e
Sales (EURm)	155	173	190
EBITDA (EURm)	30.6	34.5	38.5
Current EBIT (EURm)	25.0	28.4	31.8
Attr. net profit (EURm)	20.0	23.2	26.1
Adjusted EPS (EUR)	3.25	3.79	4.26
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	23.2	19.9	17.7
P/B (x)	6.4	4.8	3.8
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	2.0	4.3	4.7
EV/Sales (x)	2.89	2.44	2.11
EV/EBITDA (x)	14.6	12.2	10.4
EV/Current EBIT (x)	17.9	14.8	12.6
Gearing (%)	-31	-44	-53
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

27/03/2017	Q4 Results
04/05/2017	Q1 Results
05/05/2017	AGM
07/08/2017	Q2 Results

Driven primarily by the Financial Service Providers segment (Europace), Hypoport's earnings should benefit in the medium term from i/ structural trends supporting the German housing market, ii/ Europace's strong position, which is attracting increasing volume, thereby leading to market share growth and rising economies of scale, iii/ lower than perceived vulnerability to rising interest rates, iv) a highly scalable business model. Longer-term, further growth opportunities e.g. geographic growth could drive the equity story.

Business and markets

Hypoport AG (HYQ), listed on the German SDAX, is at its core a FinTech company whose business model consists of two mutually supportive pillars: i/ Europace, the leading platform for mortgages in Germany and ii/ an independent financial advisory business (based on Europace) called Dr. Klein, which brokers mortgage loans to consumers and also provides advisory services to institutional clients.

Strategy and outlook

As the number one mortgage broking platform in Germany, Europace has a size advantage which translates to economies of scale. Similar to other online platforms such as CTS Eventim's ticketing platform, economies of scale in mortgage broking platforms have resulted in a duopoly protected by strong barriers to entry. This puts Hypoport in a strong position to profitably grow its market share. The company aims to deliver double-digit growth going forward at both the top and bottom lines.

Recent events and forecasts

The performance in Q3 was slightly disappointing with strongly divergent performances across the segments: The Financial Service Providers segment (=Europace) performed strongly with revenues up 30% yoy to € 14.3m and EBIT up 50% yoy to € 3.9m. The Private Clients segment, by contrast, showed revenue growth of 7.3% yoy to € 21.9m and a drop in EBIT of 11.1% yoy to € 2.4m. The weakest-performing segment was Institutional Clients, with revenues down 10% yoy to € 4.0m and EBIT down 26.3% yoy to 1.4m. Hypoport also issued its first guidance for 2017, namely double-digit revenue and earnings growth.

Challenges and themes to discuss at the Forum

i/ How does the company view the German mortgage market going forward? What is the impact of regulatory changes, e.g. the EU Mortgage Credit Directive? ii/ Europace: What are the main reasons for the strong outperformance of this platform vs. the market? Can Hypoport win more German banks as software-as-a-service customers for Europace? iii/ Why did the Institutional Clients segment perform so weakly in 9M 2016 (EBIT -25%)? iv/ What M&A strategy does Hypoport expect to pursue going forward? v/ What is the potential of the company's new real estate appraisal business? vi/ Is Hypoport looking to expand its business outside of Germany? (It is currently active only in Germany.)

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NOTE PAD



FINANCIAL DATA

P&L (EURM)	12/14	12/15	12/16e	12/17e	12/18e	Cash flow statement (EURM)	12/14	12/15	12/16e	12/17e	12/18e	Valuation	12/14	12/15	12/16e	12/17e	12/18e
Sales	112	139	155	173	190	EBITDA	12.7	25.1	30.6	34.5	38.5	12m highest price (EUR)	13.8	81	97		
EBITDA	12.7	25.1	30.6	34.5	38.5	Net paid financial costs	-0.5	-0.4	-0.6	-0.5	-0.4	12m lowest price (EUR)	8.7	12.2	54		
Depreciations	-4.8	-5.8	-5.6	-6.1	-6.6	Tax paid	-0.8	-2.5	-4.5	-4.8	-5.4	Reference price (EUR)	11.0	33.3	75	75	75
Current EBIT	7.9	19.3	25.0	28.4	31.8	Other	0.0	1.6	0.6	1.0	0.7	Capitalization (MEUR)	68	201	463	463	463
Published EBIT	7.9	19.3	25.0	28.4	31.8	Operating cash flow	8.4	26.7	13.7	24.0	26.6	EV (MEUR)	72	190	448	422	401
Net financial income	-0.7	-0.1	-0.6	-0.5	-0.4	CAPEX	-6.2	-7.1	-4.5	-4.1	-4.9	P/E (x)	11.4	12.7	23.2	19.9	17.7
Corporate Tax	-1.3	-3.2	-4.5	-4.8	-5.4	Net financial investments	0.0	0.0	0.0	0.0	0.0	P/CF (x)	4.4	5.7	14.5	15.3	13.8
Inc. of equity-accounted comp.	0.0	0.0	0.0	0.0	0.0	Other cash flows from investing	0.0	0.0	0.0	0.0	0.0	Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Income of disc. activities	0.0	0.0	0.0	0.0	0.0	Cash flows from inv. activities	-6.2	-7.1	-4.5	-4.1	-4.9	FCF yield	3.3%	9.7%	2.0%	4.3%	4.7%
Minority interests	0.0	0.0	0.0	0.0	0.0	Dividends paid	0.0	0.0	0.0	0.0	0.0	P/B incl. GW (x)	1.8	3.8	6.4	4.8	3.8
Attributable net profit	5.9	15.9	20.0	23.2	26.1	Net capital increase	0.0	-2.3	0.0	0.0	0.0	P/B excl. GW (x)	1.8	3.8	6.4	4.8	3.8
Adjusted attributable net profit	5.9	15.9	20.0	23.2	26.1	Other cash flow from fin. act.	-0.3	0.0	0.0	0.0	0.0	EV/Sales (x)	0.65	1.36	2.89	2.44	2.11
Balance sheet (EURM)	12/14	12/15	12/16e	12/17e	12/18e	Cash flow from fin. activities	-1.2	-6.9	-1.1	-1.1	-1.1	EV/EBITDA (x)	5.7	7.6	14.6	12.2	10.4
Goodwill	0.0	0.0	0.0	0.0	0.0	Changes in net financial debt	1.9	17.3	9.2	19.9	21.7	EV/EBIT (x)	9.1	9.8	17.9	14.8	12.6
Other intangible assets	31.0	31.9	30.3	27.5	25.4	Growth Margins Productivity	12/14	12/15	12/16e	12/17e	12/18e	EV/FCF to firm (x)	33.1	10.7	49.3	21.8	18.8
Tangible fixed assets	2.2	2.6	2.5	2.3	2.0	Sales growth	14.5%	23.7%	11.7%	11.3%	9.7%	EV/AE incl. GW (x)	1.7	4.8	8.9	7.9	6.9
WCR	9.0	4.9	17.4	23.7	30.6	Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	EV/AE excl. GW (x)	1.6	1.7	1.6	1.5	1.7
Financial assets	1.6	1.9	1.9	1.9	1.9	Current EBIT growth	ns	ns	30.0%	13.6%	11.9%	Profitability	12/14	12/15	12/16e	12/17e	12/18e
Ordinary shareholders equity	38.6	52	72	96	122	Growth in EPS(%)	88.0%	ns	23.8%	16.4%	12.5%	ROCE before tax	19.6%	47.2%	55.9%	54.9%	57.2%
Shareholders equity	38.9	53	73	96	122	Net margin	5.3%	11.4%	12.9%	13.4%	13.8%	ROCE post-tax	23.6%	60.6%	72.9%	69.0%	44.5%
Non-current provisions	1.0	2.1	2.1	2.1	2.1	EBITDA margin	11.3%	18.0%	19.7%	20.0%	20.3%	ROE	16.6%	34.9%	32.0%	27.7%	24.1%
Net debt	3.9	-13.5	-22.7	-42.6	-64	Current EBIT margin	7.1%	13.9%	16.1%	16.5%	16.8%	Asset Turnover	2.8	3.4	3.5	3.3	3.4
Per Share data (EUR)	12/14	12/15	12/16e	12/17e	12/18e	CAPEX / CA	-5.5%	-5.1%	-2.9%	-2.4%	-2.6%						
EPS before goodwill	1.0	2.6	3.3	3.8	4.3	WCR/Sales	8.0%	3.5%	11.2%	13.7%	16.1%						
Reported EPS	1.0	2.6	3.3	3.8	4.3	Tax Rate	18.2%	16.9%	18.5%	17.0%	17.0%						
Net dividend per share	0.00	0.00	0.00	0.00	0.00	Normative tax rate	-20.1%	-28.3%	-30.3%	-25.8%	22.2%						
Book value par action	6.3	8.7	11.8	15.6	19.8	Debt ratios	12/14	12/15	12/16e	12/17e	12/18e						
Number of shares market cap	6.14	6.04	6.14	6.14	6.14	Gearing	10%	-26%	-31%	-44%	-53%						
Number of diluted shares	6.14	6.04	6.14	6.14	6.14	Net Debt / Market Cap	0.06	-0.07	-0.05	-0.09	-0.14						
						Net debt/EBITDA	0.31	ns	ns	ns	ns						
						EBITDA/ net financial charges	ns	ns	ns	ns	ns						