



Hypoport AG

Germany | Financial Services
Industrials

Investment Research

Flash Note

Accumulate

Recommendation unchanged

Share price: EUR 122.25

closing price as of 04/08/2017

Target price: EUR 131.00

Target Price unchanged

Upside/Downside Potential 7.2%

Reuters/Bloomberg HYQGN.DE/HYQ GR

Market capitalisation (EURm) 757

Current N° of shares (m) 6

Free float 63%

Daily avg. no. trad. sh. 12 mth 20

Daily avg. trad. vol. 12 mth (m) 1,560.20

Price high/low 12 months 63.06 / 132.50

Abs Perfs 1/3/12 mths (%) 10.68/20.15/33.94

Key financials (EUR) 12/16 12/17e 12/18e

Sales (m) 157 188 214

EBITDA (m) 28 33 38

EBITDA margin 18.1% 17.4% 17.8%

EBIT (m) 23 27 31

EBIT margin 14.8% 14.2% 14.6%

Net Profit (adj.)(m) 18 21 25

ROCE 28.4% 32.7% 36.9%

Net debt/(cash) (m) 1 (15) (39)

Net Debt Equity 0.0 -0.2 -0.4

Net Debt/EBITDA 0.0 -0.4 -1.0

Int. cover(EBITDA/Fin.int) 70.6 65.5 47.8

EV/Sales 3.1 4.0 3.4

EV/EBITDA 17.0 22.7 18.8

EV/EBITDA (adj.) 17.0 22.7 18.8

EV/EBIT 20.8 27.8 23.0

P/E (adj.) 25.8 35.0 29.1

P/BV 7.5 8.9 6.9

OpFCF yield 1.1% 1.9% 2.9%

Dividend yield 0.0% 0.0% 0.0%

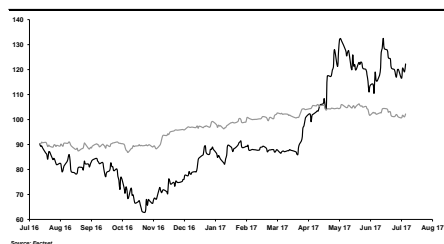
EPS (adj.) 3.01 3.49 4.20

BVPS 10.30 13.68 17.74

DPS 0.00 0.00 0.00

Shareholders

Slabke 37%;



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Reason: Company Newsflow

7 August 2017

Final Q2 Results

Hypoport has just released final Q2 results and confirmed its preliminary Q2 results. Q2 EBIT was up by 12% yoy to EUR 6.4m (equinet: EUR 7.2m). Net profit increased by 17% yoy to EUR 5.2m (equinet: EUR 5.8m). The lower EBIT growth rate compared to Q1 (+29% yoy) resulted mainly from the Retail and the Europace units where growth rates were below Q1 level while institutional clients more than doubled its EBIT yoy. The new segment insurance platform reported an EBIT loss of EUR 0.17m, more or less on Q1 level. Hypoport confirmed its 2017 profit outlook. Final Q2 results revealed no big surprises, we stick to our Accumulate rating with a TP of EUR 131. HYP is a key beneficiary from the long rate environment, insurance platform should become the revenues driver in the long term.

- ✓ **Retail Clients:** Following a strong Q1 (Rev.: +24% yoy, EBIT: +37% yoy), Q2 results were slightly weaker with a revenues increase by 17% yoy to EUR 19.5m and an EBIT of EUR 2.7m (+16% yoy). EBIT margin was down by 210 bp's qoq to 14.0% (Q2 '16: 14.1%). Transaction volume in mortgage loans was stable yoy at EUR 1.2bn.
- ✓ **Europace:** Revenues were up by 12% yoy to EUR 19.3m, EBIT was up by 7% yoy to EUR 4m, and EBIT margin of 20.7% (Q1 '17: 20.6%). Q1 revenues growth rate was at 27% yoy (EBIT: +19% yoy), i.e. momentum came down somewhat qoq which is however also due to a strong Q2 '16. According to the H1 presentation the segment was negatively impacted by investments into the new project valuation of real estate property with EUR 0.5m in H1. Transaction volume was up by 7% yoy to EUR 11.8bn in Q2. The number of Europace partners increased by 16 qoq to 456.
- ✓ **Institutional Clients:** Revenues were up by 47% yoy to EUR 5.5m and EBIT more than doubled yoy to EUR 1.8m, EBIT margin was at strong 33% (Q2 '16: 22%).
- ✓ EBIT margin for the group was down by 160 bp's yoy to 13.4% (equinet: 14.8%), mainly due to higher costs. EBIT margin was below our forecast due to a lower gross profit development. Tax rate was at 20% fully in line with our forecast for Q2 and the full year.

Hypoport - Q2 2017

EUR m	Q2 2017	Q2 2017e	Q2 2016	yoy	Cons.	delta
Revenues	47.6	48.5	38.0	25.2%	na	na
EBIT	6.4	7.2	5.7	11.7%	na	na
EBIT Margin	13.4%	14.8%	15.0%	-162 BP	na	na
Net Profit	5.2	5.8	4.4	16.7%	na	na

Sources: Hypoport, equinet Research

Produced by:

equinetBank
AKTIENGESELLSCHAFT

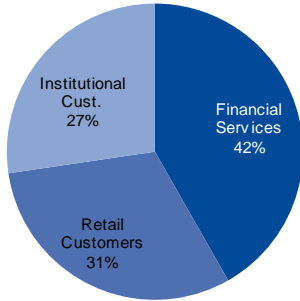
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Exhibit 1: Investment Case in Charts

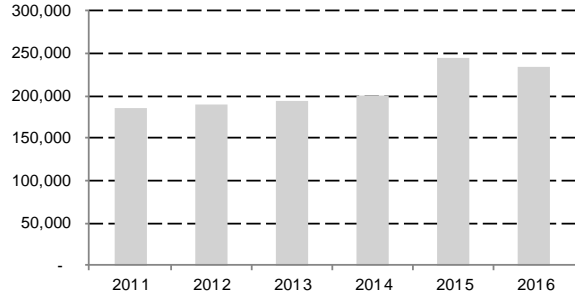
Business split



Financial Services (Europace) is Hypoport's key revenues pillar.

Source: Hypoport, equinet Research

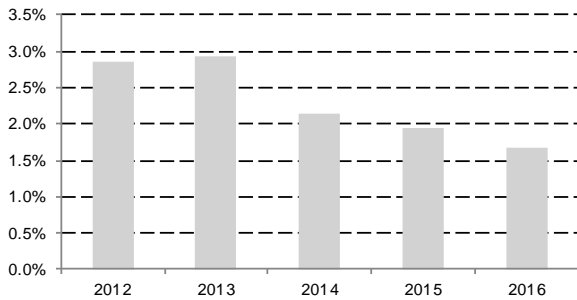
Market development (new mortgage loans in EUR m)



New mortgage loan volumes in GER have benefited from a decline in interest rates, 2016 being negatively impacted from regulation.

Source: Bundesbank, equinet Research

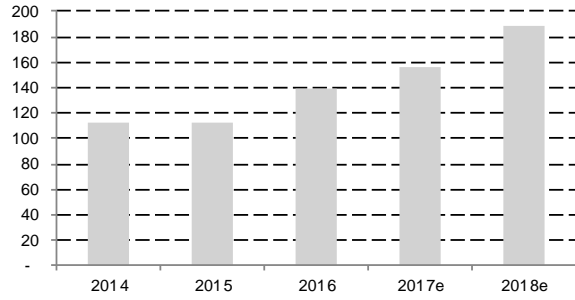
10YR Mortgage Rate development



10YR Mortgage rates on record low levels; we do not expect a sharp increase in the short term.

Source: Hypoport, equinet Research

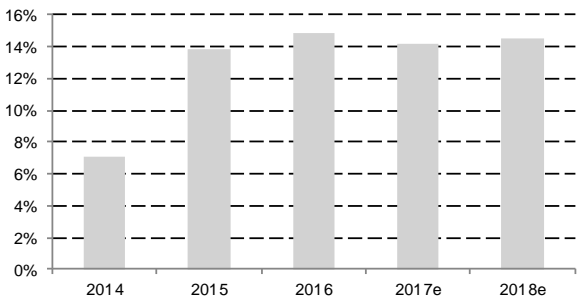
Revenues development (in EUR m)



A positive overall market development and a growing market share of Hypoport should be the main revenues drivers.

Source: Hypoport, equinet Research

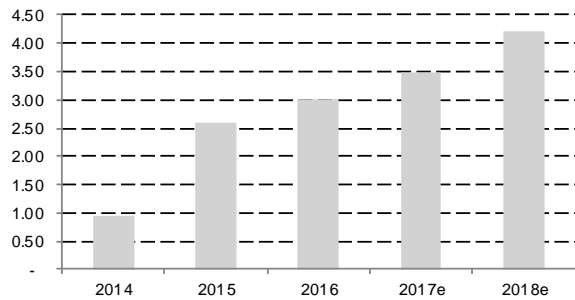
EBIT margin development



EBIT Margins should not further increase in 2017e/'18e due to investments into the online insurance marketplace.

Source: Hypoport, equinet Research

EPS development (in EUR)



We forecast EPS CAGR of 16% (2016e-'18e).

Source: Hypoport, equinet Research



Hypoport AG : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Sales	112	139	157	188	214	242
Cost of Sales & Operating Costs	0.0	0.0	0.0	0.0	0.0	0.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	12.7	25.1	28.3	32.7	38.2	44.3
EBITDA (adj.)*	12.7	25.1	28.3	32.7	38.2	44.3
Depreciation	4.8	5.8	5.1	6.0	7.0	7.5
EBITA	17.5	30.9	33.4	38.7	45.2	51.8
EBITA (adj)*	17.5	30.9	33.4	38.7	45.2	51.8
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.9	19.3	23.2	26.7	31.2	36.8
EBIT (adj.)*	7.9	19.3	23.2	26.7	31.2	36.8
Net Financial Interest	-0.7	-0.1	-0.4	-0.5	-0.8	-0.8
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	7.3	19.1	22.8	26.2	30.4	36.0
Tax	1.3	3.2	4.8	5.2	5.2	6.1
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	5.9	15.9	18.0	20.9	25.2	29.8
Net Profit (adj.)	5.9	15.9	18.0	20.9	25.2	29.8
CASH FLOW (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Cash Flow from Operations before change in NWC	10.7	23.7	25.8	22.7	31.2	36.3
Change in Net Working Capital	-2.3	2.9	-7.5	-2.3	-3.0	-2.0
Cash Flow from Operations	8.4	26.7	18.3	20.5	28.2	34.3
Capex	-6.2	-7.1	-13.3	-6.0	-6.0	-6.0
Net Financial Investments	-1.2	-6.9	-7.4	2.7	2.1	2.1
Free Cash Flow	1.1	12.7	-2.3	17.1	24.3	30.4
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-1.1	-3.6	1.5	-1.8	0.0	0.0
Change in Net Debt	0.0	9.1	-0.8	15.3	24.3	30.4
NOPLAT	5.6	13.5	16.3	18.7	21.9	25.8
BALANCE SHEET & OTHER ITEMS (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Tangible Assets	2.2	2.6	2.6	1.1	-0.4	-1.9
Net Intangible Assets (incl. Goodwill)	31.0	31.9	41.7	43.2	43.7	43.7
Net Financial Assets & Other	0.1	0.0	1.1	1.1	1.1	1.1
Total Fixed Assets	33.3	34.5	45.4	45.4	44.4	42.9
Cash (-)	-12.0	-24.8	-22.4	-39.5	-63.8	-94.2
Shareholders Equity	38.6	52.4	63.8	84.7	110	140
Minority	0.3	0.3	0.3	0.4	0.5	0.6
Total Equity	38.9	52.7	64.1	85.1	110	140
Long term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	-5.8	-9.3	-6.7	-12.2	-11.2	-10.2
Total Long Term Liabilities	-5.8	-9.3	-6.7	-12.2	-11.2	-10.2
Short term interest bearing debt	21.1	24.7	23.2	25.0	25.0	25.0
Net Working Capital	8.9	8.9	12.9	13.0	16.0	18.0
GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
<i>Sales growth</i>	<i>11.1%</i>	<i>23.7%</i>	<i>12.7%</i>	<i>20.0%</i>	<i>14.0%</i>	<i>13.0%</i>
EBITDA (adj.)* growth	55.7%	97.5%	12.9%	15.6%	16.8%	15.9%
<i>EBITA (adj.)* growth</i>	<i>41.4%</i>	<i>76.9%</i>	<i>8.1%</i>	<i>16.0%</i>	<i>16.8%</i>	<i>14.5%</i>
<i>EBIT (adj.)* growth</i>	<i>100.1%</i>	<i>142.7%</i>	<i>20.6%</i>	<i>15.1%</i>	<i>16.8%</i>	<i>17.8%</i>



Hypoport AG : Summary tables

GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Profit growth	97.0%	168.1%	13.7%	15.8%	20.4%	18.4%
EPS adj. growth	97.0%	175.1%	14.6%	15.8%	20.4%	18.4%
DPS adj. growth						
EBITDA (adj)* margin	11.3%	18.0%	18.1%	17.4%	17.8%	18.3%
EBITA (adj)* margin	15.5%	22.2%	21.3%	20.6%	21.1%	21.4%
EBIT (adj)* margin	7.1%	13.9%	14.8%	14.2%	14.6%	15.2%
RATIOS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Debt/Equity	0.2	0.0	0.0	-0.2	-0.4	-0.5
Net Debt/EBITDA	0.7	0.0	0.0	-0.4	-1.0	-1.6
Interest cover (EBITDA/Fin.interest)	18.5	n.m.	70.6	65.5	47.8	55.4
Capex/D&A	-129.8%	-121.3%	-260.6%	-100.0%	-85.7%	-80.0%
Capex/Sales	5.5%	5.1%	8.5%	3.2%	2.8%	2.5%
NWC/Sales	8.0%	6.4%	8.2%	6.9%	7.5%	7.4%
ROE (average)	16.6%	34.9%	31.0%	28.1%	25.9%	23.9%
ROCE (adj.)	13.2%	31.1%	28.4%	32.7%	36.9%	43.1%
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
ROCE (adj.)/WACC	1.7	4.0	3.7	4.2	4.8	5.6
PER SHARE DATA (EUR)***	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Average diluted number of shares	6.2	6.0	6.0	6.0	6.0	6.0
EPS (reported)	0.96	2.63	3.01	3.49	4.20	4.97
EPS (adj.)	0.96	2.63	3.01	3.49	4.20	4.97
BVPS	6.23	8.46	10.30	13.68	17.74	22.55
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
EV/Sales	0.8	3.6	3.1	4.0	3.4	2.8
EV/EBITDA	6.7	19.9	17.0	22.7	18.8	15.5
EV/EBITDA (adj.)*	6.7	19.9	17.0	22.7	18.8	15.5
EV/EBITA	4.8	16.1	14.4	19.2	15.9	13.3
EV/EBITA (adj.)*	4.8	16.1	14.4	19.2	15.9	13.3
EV/EBIT	10.7	25.9	20.8	27.8	23.0	18.7
EV/EBIT (adj.)*	10.7	25.9	20.8	27.8	23.0	18.7
P/E (adj.)	12.7	30.6	25.8	35.0	29.1	24.6
P/BV	2.0	9.5	7.5	8.9	6.9	5.4
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	2.0	11.5	8.4	13.0	12.1	11.5
OpFCF yield	3.0%	3.9%	1.1%	1.9%	2.9%	3.7%
OpFCF/EV	2.6%	3.9%	1.0%	1.9%	3.1%	4.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Price** (EUR)	12.16	80.50	77.75	122.25	122.25	122.25
Outstanding number of shares for main stock	6.2	6.2	6.2	6.2	6.2	6.2
Total Market Cap	75	499	482	757	757	757
Net Debt	9	0	1	-15	-39	-69
<i>o/w Cash & Marketable Securities (-)</i>	<i>-12</i>	<i>-25</i>	<i>-22</i>	<i>-40</i>	<i>-64</i>	<i>-94</i>
<i>o/w Gross Debt (+)</i>	<i>21</i>	<i>25</i>	<i>23</i>	<i>25</i>	<i>25</i>	<i>25</i>
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)	85	499	483	743	719	688

Source: Company, equinet Bank estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Financial Services Industrials/FinSvc Industrials

Company Description: Hypoport is a financial service provider focusing on real estate loans. Key product is the Europace platform which is an internet based platform enabling banks on the one hand to more efficiently process their mortgage basis and on the other hand to get access to more than 250 product partners.



Notice according to § 34 b (German) Securities Trading Act ("Wertpapierhandelsgesetz")

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Remarks

Recommendation System

Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.

Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.

Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon

Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon

Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

Sources

Equinet Bank has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

Actualizations

Opinions expressed in this analysis are our current opinions as of the issuing date indicated on this document. We do not commit ourselves in advance to whether and in which intervals updates are made.



Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2GEnergy	Rüzgar	22.50	Neutral	2/3/5	Pfeiffer Vacuum	Sen	162.00	Accumulate	5
4SC	Miemietz	3.50	Buy	7	Procredit Holding	Häßler	15.60	Accumulate	2
Aareal Bank	Häßler	38.00	Neutral		PSI SOFTWAREAG	Droste	18.00	Accumulate	2/3
Ad pepper	Heilmann	2.45	Neutral	2/3	PWO	Schuldt	53.00	Accumulate	2/3
adidas	Josefson	192.00	Buy		RIB Software	Droste	16.50	Buy	2/3
Adler Modemaerkte	Josefson	7.50	Buy	7	RTL Group	Josefson	81.00	Accumulate	
ADLER Real Estate	Häßler	17.00	Buy		SAF-Holland	Schuldt	17.00	Accumulate	7
Aixtron	Sen	4.00	Neutral	2/3	Siegfried Holding AG	Miemietz	220.00	Accumulate	
Allianz	Häßler	185.00	Accumulate		SLM Solutions	Sen	27.50	Reduce	
Axel Springer	Josefson	51.00	Neutral		SMT Scharf AG	Rüzgar	14.50	Neutral	2/3
Bayer	Miemietz	118.00	Buy		Software AG	Droste	30.00	Sell	
BB Biotech	Miemietz	60.00	Buy	7	Stabilus	Tanzer	75.00	Accumulate	
Biotest	Miemietz	19.00	Neutral	2/3	Suedzucker	Bruns	20.00	Neutral	
BMW	Schuldt	98.00	Accumulate		SuessMicroTec	Sen	11.00	Accumulate	2/3
Cenit	Droste	22.50	Buy		Surteco	Mildner	26.10	Accumulate	2/3
comdirect	Häßler	10.60	Neutral		Symrise	Hinkel	67.00	Neutral	
Commerzbank	Häßler	9.50	Neutral		Syzygy AG	Heilmann	11.50	Neutral	2/3
Continental	Schuldt	240.00	Buy		TAKKT	Bruns	21.80	Accumulate	2
CORESTATE Capital Holding S.A.	Mayer	65.00	Buy	2/5	Talanx Group	Häßler	34.00	Neutral	
CTS Eventim	Heilmann	40.00	Buy		Technotrans	Becker	36.00	Neutral	2/3
Daimler AG	Schuldt	76.00	Buy		TELECOLUMBUS	Sen	12.00	Buy	
Daldrup & Soehne	Becker	10.10	Buy	2/3/5	Telefonica Deutschland	Sen	3.70	Sell	
Demire	Mayer	4.30	Accumulate		United Internet	Sen	63.00	Buy	
Deutsche Bank	Häßler	19.00	Buy		va-Q-tec	Sen	17.00	Neutral	2/3/5
Deutsche EuroShop	Mayer	42.00	Accumulate		Viscom	Rüzgar	18.00	Accumulate	2/3
Deutsche Pfandbriefbank	Häßler	12.00	Accumulate		Volkswagen	Schuldt	166.00	Buy	
Deutsche Telekom	Sen	15.50	Neutral		WCM AG	Mayer	3.25	Neutral	2/3
Drillisch	Sen	66.00	Buy		Wiflex	Miemietz	4.00	Buy	2/3
EringKlinger	Schuldt	14.00	Reduce		Wincor Nixdorf	Sen	50.00	Accumulate	
eluméo SE	Josefson	9.60	Buy		windeln.de	Josefson	5.00	Buy	2
Epigenomics AG	Miemietz	7.52	Neutral	2/3	XING	Heilmann	300.00	Buy	
Euromicron AG	Droste	13.00	Buy	2/3/5	Zalando	Josefson	48.00	Buy	
Ferratum	Häßler	28.00	Buy						
Fielmann	Heilmann	71.00	Neutral						
Freenet	Sen	36.00	Buy	2					
FuchsPetrolub	Hinkel	47.00	Neutral						
Gerry Weber	Josefson	10.00	Reduce						
Gesco	Becker	25.40	Accumulate	2/3/5					
GFT Technologies	Droste	28.00	Buy	2/3					
Gigaset	Sen	0.85	Accumulate	2/3					
Grenke	Häßler	80.00	Accumulate						
Hannover Re	Häßler	100.00	Neutral						
Heidelberger Druck	Augustin	3.50	Buy						
Hornbach Holding	Bruns	89.00	Buy	2					
Hugo Boss	Josefson	78.00	Buy						
Hypoport AG	Häßler	131.00	Accumulate	7					
Kontron	Sen	3.60	Buy						
KWS	Hinkel	346.00	Neutral						
Leoni	Schuldt	51.00	Neutral						
Linde	Hinkel	174.00	Accumulate						
Logwin	Mildner	148.00	Neutral	2/3/5					
Manz AG	Rüzgar	42.50	Accumulate	2/3					
MAXAutomation AG	Becker	8.65	Buy	2/3/5					
Merck	Miemietz	112.00	Neutral						
Merkur Bank	Häßler	9.30	Buy	2/7					
Metro Wholesale and Food Specialis	Bruns	29.00	Buy	2					
MLP	Häßler	7.50	Buy	2/3					
MTU Aero Engines	Rüzgar	135.00	Accumulate	2					
Munich Re	Häßler	180.00	Neutral						
Nemetschek SE	Droste	47.00	Reduce	5					
Nexus AG	Droste	24.00	Buy						
Norma Group	Schuldt	61.00	Buy						
OHBSE	Rüzgar	25.00	Neutral	7					
OVH Holding AG	Häßler	20.00	Accumulate	2/5/7					
Patrizia	Häßler	22.00	Buy						

* =Coveragesuspended

Source: equinet Recommendations



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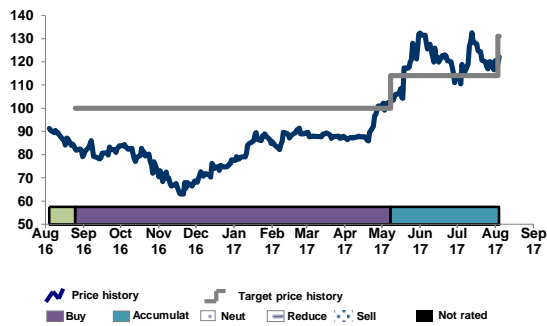


Recommendation history for HYPOPORT AG

Date	Recommendation	Target price	Price at change date
03-Aug-17	Accumulate	131.00	119.15
08-May-17	Accumulate	114.00	103.00
25-Aug-16	Buy	100.00	82.50

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Philipp Häßler, CFA (since 25/08/2016)





ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

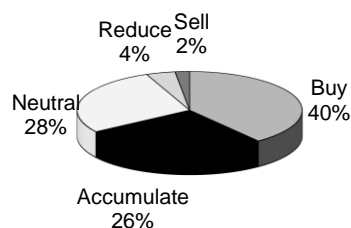
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- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Equinet Bank Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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