

Hypoport AG

TOP PICKS

Buy è | Target 139.00 EUR

Price (04/08/2017) : 122.25 EUR | Upside : 14 %

Est.chg	2017e	2018e
EPS	-	-

Final Q2 results in line with prelims: solid quarter; positive momentum intact

Publication date 07.08.2017 17:31

Writing date 07.08.2017 17:30



Source : Oddo BHF, Fininfo

Capital				
HYQ GY HYQGn.DE				
Market Cap (EURm)				735
Enterprise value (EURm)				715
Extrema 12 months		63.06	-	132.5
Free Float (%)				56.1
Performance (%)				
	1m	3m	12m	
Absolute	10.7	20.1	33.9	
Perf. rel. Country Index	10.6	23.1	18.3	
Perf. rel. Property, holding	8.9	21.3	8.2	
P&L				
	12/17e	12/18e	12/19e	
Sales (EURm)	194	218	242	
EBITDA (EURm)	34.4	38.9	43.6	
Current EBIT (EURm)	26.5	30.2	34.1	
Attr. net profit (EURm)	21.7	24.7	28.0	
Adjusted EPS (EUR)	3.53	4.03	4.56	
Dividend (EUR)	0.00	0.00	0.00	
P/E (x)	34.6	30.3	26.8	
P/B (x)	8.8	6.8	5.4	
Dividend Yield (%)	0.0	0.0	0.0	
FCF yield (%)	1.4	2.5	2.8	
EV/Sales (x)	3.78	3.28	2.87	
EV/EBITDA (x)	21.3	18.4	15.9	
EV/Current EBIT (x)	27.6	23.7	20.3	
Gearing (%)	-26	-37	-45	
Net Debt/EBITDA(x)	ns	ns	ns	

Next Events	
07.08.2017	Q2 Results
07.08.2017	Earnings Release
30.10.2017	Q3 Results

Q2: not as strong as Q1, but still a very solid quarter

Hypoport (HYQ) today (07 August) reported its final Q2 2017 figures, which were in line with the preliminary results announced at the end of July. Q2 revenues came in at € 47.6m, up 25% yoy, while EBIT was up 12% yoy to € 6.3m (Q2 2016: € 5.7m). EPS rose 18% yoy to € 0.87. Viewing H1 2017, revenues increased 29% yoy to € 95.3m, while EBIT was up 20% yoy to € 13.6m. Hypoport reiterated its full year guidance, i.e. low double-digit revenue and EBIT growth.

H1 segment split: Institutional Clients segment with strongest growth

(1) **Institutional Clients** showed the strongest growth with revenues up +36% and EBIT up +60% yoy in H1 2017. (2) **Private Clients** was also very strong with revenues +20% and EBIT +27%. (3) The **Credit Platform (=Europace)** posted solid top-line growth of +19% and EBIT up +13% yoy. The lower EBIT growth was mainly attributable to investments of € 0.5m in the new real estate appraisal business. (4) The **new Insurance Tech segment** grew its revenues to € 7.2m (H1 2016: € 1.2m), mainly due to acquisitions made in the last couple of months; EBIT was slightly negative at € -0.3m (after € -0.1m in Q1).

Feedback from conference call

The company held a conference call today at 14:00 CEST. Our key takeaways:

Overall: Management's tone was positive; operating momentum is likely to stay positive, in our view.

Acquisitions: Management is currently looking at several potential acquisitions to strengthen the new insurance tech platform, and hinted that acquisitions are very likely in H2. The acquisitions should be similar in size to those done in the past, i.e. priced in the single-digit €m range. In this context management pointed out that the profit margins of companies in this segment are very low. It believes it can significantly increase these margins post-integration, i.e. management sees significant potential for value-creation through acquisitions.

Genopace and Finmas perform strongly: In H1 2017, transaction volume on the platforms Genopace and Finmas increased 46% and 58% yoy, respectively (Q1 2017: up 52% and 63%), i.e. momentum again increased significantly in the market space where Europace is still relatively weak.

(Continued on next page.)

Buy rating and TP of € 139 reiterated

We reiterate our Buy rating and our TP on Hypoport of € 139. For the Financial Service Providers segment we derive a fair value of €80.18/share; for the Private Clients segment €31.53/share; and for the Institutional Clients segment €14.13/share. To this we add a value of €12.53/share for the insurance tech business and deduct net debt of €0.12/share, which takes us to a fair value per share of €138.26.

Our 2018e target P/E is 34.4x (EPS CAGR 2017-19e: 14.9%). Our TP is based on a mortgage market CAGR of 1.0% and an increase in Europace's market share of 1.8pp per year. If we assume the growth rates of the past 5 years, i.e. 4% market CAGR and 2.2pp market share growth per year, we derive a DCF value of € 175.94/share (based on an assumption of 50% operating leverage).

Dr. Oliver Pucker, CFA (Analyst)
+49 (69) 71 83 666
oliver.pucker@bhf-bank.com

Risque de conflits d'intérêts :

Oddo & Cie et/ou une de ses filiales peuvent être en situation de conflit d'intérêts avec certaines des émetteurs mentionnés dans cette publication. Vous pouvez consulter l'ensemble des mentions des conflits d'intérêts en dernière page de ce document.

Document non contractuel, strictement limité à l'usage privé du destinataire, les informations fournies dans ce document proviennent de sources dignes de foi mais ne peuvent être garanties. Les appréciations formulées reflètent notre opinion à la date de publication et sont donc susceptibles d'être révisées ultérieurement.



Feedback from conference call (continued)

Insurance Tech: H1 2017 **EBIT** totalled € -0.3m. Cash flow was similar to EBIT according to management, i.e. not significantly negative. During the call the company reiterated its goal to become the leading platform for Germany.

Overall mortgage market: Hypoport is growing strongly in a relatively weak overall market which is up only c.1% ytd according to the German Bundesbank. A 1% growth rate is especially low considering that i/ 2016 was relatively weak due to the implementation of the mortgage credit directive and ii/ real estate prices probably rose yoy by more than 1%). Management pointed out that market participants are currently holding back investments as they wait for the results of the parliamentary elections on 24 September. Market momentum could increase after the elections, according to management.



HYQGN.DE | HYQ GY
Financial Services | Germany

	Buy					Price 122.25EUR		
	Upside	13.70%				TP 139.00EUR		
PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Adjusted EPS	-0.13	0.51	0.96	2.63	3.00	3.53	4.03	4.56
Reported EPS	-0.13	0.51	0.96	2.63	3.00	3.53	4.03	4.56
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	17.6%	14.2%	13.2%
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	0.20	0.67	0.37	3.24	1.50	1.70	3.00	3.45
Book value per share	4.81	5.34	6.29	8.68	10.62	13.93	17.96	22.52
Number of shares market cap	6.16	6.14	6.14	6.04	6.01	6.14	6.14	6.14
Number of diluted shares	6.16	6.14	6.14	6.04	6.01	6.14	6.14	6.14
VALUATION	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
12m highest price	12.15	10.46	13.78	80.50	97.00	133		
12m lowest price	6.95	7.03	8.67	12.16	53.59	77.48		
(*) Reference price	8.94	8.27	11.01	33.28	75.07	122	122	122
Capitalization	55.1	50.7	67.6	201	451	750	750	750
Restated Net debt	9.7	5.9	3.9	-13.5	-11.7	-22.1	-40.6	-61.7
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	0.0
Provisions	1.9	0.5	1.0	2.1	10.9	4.9	4.9	4.9
Enterprise Value	66.7	57.1	72.5	190	451	733	715	694
P/E (x)	ns	16.1	11.4	12.7	25.0	34.6	30.3	26.8
P/CF (x)	58.8	5.2	4.4	5.7	16.0	26.1	23.4	20.7
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	2.3%	8.1%	3.3%	9.7%	2.0%	1.4%	2.5%	2.8%
P/B incl. GW (x)	1.86	1.55	1.75	3.84	7.07	8.78	6.81	5.43
P/B excl. GW (x)	1.86	1.55	1.75	3.84	7.07	8.78	6.81	5.43
EV/Sales (x)	0.76	0.58	0.65	1.36	2.88	3.78	3.28	2.87
EV/EBITDA (x)	8.2	7.0	5.7	7.6	15.9	21.3	18.4	15.9
EV/EBIT (x)	20.9	14.5	9.1	9.8	19.4	27.6	23.7	20.3
<i>(*) historical average price</i>								
PROFIT AND LOSS (EURM)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales	88	98	112	139	157	194	218	242
EBITDA	8.1	8.1	12.7	25.1	28.3	34.4	38.9	43.6
Depreciations	-4.9	-4.2	-4.8	-5.8	-5.1	-7.9	-8.7	-9.5
Current EBIT	3.2	3.9	7.9	19.3	23.2	26.5	30.2	34.1
Published EBIT	3.2	3.9	7.9	19.3	23.2	26.5	30.2	34.1
Net financial income	-0.9	-0.9	-0.7	-0.1	-0.4	-0.5	-0.4	-0.4
Corporate Tax	-0.4	0.1	-1.3	-3.2	-4.8	-4.4	-5.1	-5.7
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)	-2.8	0.0	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	-0.8	3.1	5.9	15.9	18.0	21.7	24.7	28.0
Adjusted attributable net profit	-0.8	3.1	5.9	15.9	18.0	21.7	24.7	28.0
BALANCE SHEET (EURM)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	27.7	29.6	31.0	31.9	41.7	27.5	25.4	23.0
Tangible fixed assets	2.6	2.2	2.2	2.6	2.6	2.3	2.0	1.6
WCR	10.7	6.9	9.0	4.9	10.8	25.0	33.7	43.3
Financial assets	0.5	0.8	1.6	1.9	2.3	2.3	2.3	2.3
Ordinary shareholders equity	29.6	32.8	38.6	52.4	63.8	85.5	110	138
Minority interests	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Shareholders equity	29.8	33.1	38.9	52.7	64.1	85.8	111	139
Non-current provisions	1.9	0.5	1.0	2.1	4.9	4.9	4.9	4.9
Net debt	9.7	5.9	3.9	-13.5	-11.7	-22.1	-40.6	-61.7
CASH FLOW STATEMENT (EURM)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
EBITDA	8.1	8.1	12.7	25.1	28.3	34.4	38.9	43.6
Change in WCR	1.2	3.7	-3.0	2.9	-7.5	-14.3	-8.7	-9.6
Interests & taxes	-1.5	-1.5	-1.3	-2.9	-3.4	-4.9	-5.4	-6.1
Others	-0.1	-0.5	0.0	1.6	-0.7	-0.8	-1.4	-1.4
Operating Cash flow	7.8	9.9	8.4	26.7	16.7	14.5	23.3	26.6
CAPEX	-6.5	-5.7	-6.2	-7.1	-7.7	-4.1	-4.9	-5.4
Free cash-flow	1.2	4.1	2.2	19.6	9.0	10.4	18.4	21.2
Acquisitions / disposals	0.1	0.0	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	-0.6	0.0	0.0	-2.3	-6.9	0.0	0.0	0.0
Others	0.4	-1.4	-1.2	-4.6	3.5	-1.1	-1.1	-1.1
Change in net debt	0.7	4.2	1.9	17.3	-3.4	10.4	18.4	21.2
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales growth	4.0%	11.8%	14.5%	23.7%	12.7%	24.0%	12.2%	10.8%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	-52.7%	23.5%	ns	ns	20.6%	14.2%	13.6%	13.0%
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	17.6%	14.2%	13.2%
Net margin	-0.9%	3.2%	5.3%	11.4%	11.5%	11.2%	11.4%	11.6%
EBITDA margin	9.3%	8.3%	11.3%	18.0%	18.1%	17.7%	17.8%	18.1%
Current EBIT margin	3.6%	4.0%	7.1%	13.9%	14.8%	13.7%	13.8%	14.1%
CAPEX / Sales	-7.4%	-5.8%	-5.5%	-5.1%	-4.9%	-2.1%	-2.2%	-2.2%
WCR / Sales	12.2%	7.0%	8.0%	3.5%	6.9%	12.9%	15.5%	17.9%
Tax Rate	16.9%	-3.3%	18.2%	16.9%	20.8%	17.0%	17.0%	17.0%
Normative tax rate	-53.2%	-31.1%	-20.1%	-28.3%	-30.3%	-25.8%	22.2%	ns
Asset Turnover	2.1	2.5	2.8	3.4	3.3	3.5	3.8	3.7
ROCE post-tax (normative tax rate)	11.7%	13.0%	23.6%	60.6%	64.1%	60.8%	40.5%	ns
ROCE post-tax hors GW (normative tax rate)	11.7%	13.0%	23.6%	60.6%	64.1%	60.8%	40.5%	ns
ROE	-2.7%	10.1%	16.6%	34.9%	31.0%	29.0%	25.3%	22.5%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Gearing	33%	18%	10%	-26%	-18%	-26%	-37%	-45%
Net Debt / Market Cap	0.18	0.12	0.06	-0.07	-0.03	-0.03	-0.05	-0.08
Net debt / EBITDA	1.20	0.72	0.31	ns	ns	ns	ns	ns
EBITDA / net financial charges	ns	ns	ns	ns	ns	ns	ns	ns

Source: Oddo BHF, Fininfo



• **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

• **Sensitivity of the result of the analysis/ risk classification:**

The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• **Our stock market recommendations**

Our stock market recommendations reflect the RELATIVE performance expected for each stock on a 12-month timeframe.

Buy: performance expected to exceed that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

Reduce: performance expected to fall short of that of the benchmark index, sectoral (large caps) or other (small and mid caps).

• **The prices of the financial instruments used and mentioned in this document are the closing prices.**

• **All publications by Oddo BHF concerning the companies covered and mentioned in this document are available on the research site: Web lien**

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)	Analyst
21.06.17	Buy	139.00	123.05	Dr. Oliver Pucker, CFA

Recommendation split				
		Buy	Neutral	Reduce
Our whole coverage	(427)	46%	44%	11%
Liquidity providers coverage	(152)	43%	51%	6%
Research service coverage	(66)	52%	44%	5%
Investment banking services	(51)	59%	35%	6%

Risk of conflict of interest:

Investment banking and/or Distribution	
1-Has Oddo Group, or Oddo & Cie, or Oddo Seydler managed or co-managed in the past 12 months a public offering of securities for the subject company/ies ?	Non
2-Has Oddo Group, or Oddo & Cie, or Oddo Sydler received compensation for investment banking services from the subject company/ies in the past 12 months or expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the last 12 months ?	Non
Research contract between Oddo group & the issuer	
3-Oddo & Cie and the issuer have agreed that Oddo & Cie will produce and disseminate investment recommendations on the said issuer as a service to the issuer	Non
Liquidity provider agreement and market-making	
4-At the date of the distribution of this report, does Oddo Group, or Oddo & Cie, or Oddo Seydler act as a market maker or has Oddo Group, or Oddo & Cie, or Oddo Seydler signed a liquidity provider agreement with the subject company/ies ?	Non
Significant equity stake	
5-Does Oddo Group, or Oddo & Cie, or Oddo Seydler own 5% or more of any class of common equity securities of the subject company/ies ?	Non
6-Does the subject company beneficially own % or more of any class of common equity of oddo & Cie or its affiliates?	Non
Disclosure to Company	
7-Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ?	No
8- Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution?	No
Additional material conflicts	
9- Is Oddo Group, or Oddo & Cie, or Oddo Seydelr aware of any additional material conflict of interest ?	Non
Personal conflicts of interest	
Have those responsible for the drafting of the present document acquired securities from the issuer concerned by the present financial analysis?	No
Have those responsible for the drafting of the present document received remuneration directly linked to investment firm service transactions or any other kind of transaction they carry out or any trading commissions they, or any legal person who is part of the same group, receive?	No

Statement of conflict of interests of all companies mentioned in this document may be consulted on Oddo BHF: lien web



Disclaimer:

\$Disclaimer\$