

Hypoport AG

Buy ↗ | Target price : 139.00 EUR

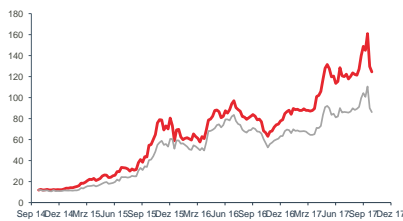
Price (27/10/2017) : 124.50 EUR | Upside : 12 %

Est.chg	2017e	2018e
EPS	0.0%	0.0%

Investment case is intact, share price has reached attractive level again

Publication date 30/10/2017 08:34

Writing date 30.10.2017 08:29



Source : ODDO BHF Securities, Fininfo

Capital

HYQ GY HYQGn.DE	
Market Cap (EURm)	749
Enterprise value (EURm)	729
Extrema 12 months	63.06 - 161.0
Free Float (%)	56.1

Performance (%)	1m	3m	12m
Absolute	-13.5	3.8	72.9
Perf. rel. Country Index	-15.3	0.9	50.2
Perf. rel. Property, holding	-15.6	0.9	40.1

P&L	12/17e	12/18e	12/19e
Sales (EURm)	193	218	242
EBITDA (EURm)	33.0	38.5	43.2
Current EBIT (EURm)	25.5	30.2	34.1
Attr. net profit (EURm)	20.8	24.7	28.0
Adjusted EPS (EUR)	3.38	4.03	4.56
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	36.8	30.9	27.3
P/B (x)	9.0	7.0	5.6
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.3	2.4	2.8
EV/Sales (x)	3.88	3.35	2.93
EV/EBITDA (x)	22.7	18.9	16.4
EV/Current EBIT (x)	29.4	24.2	20.8
Gearing (%)	-25	-36	-44
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

30.10.2017	Q3 Results

Final Q3 results correspond to preliminary figures

Hypoport's (HYQ's) final Q3 2017 figures were more or less in line with our estimates. Sales were up +21.6% yoy to € 48.4m (our estimate: € 48.2m; preliminary: € 47.7-48.7m). EBIT came in at € 5.2m (our estimate: € 5.4m; preliminary: more than € 5.0m). EBIT was thus below the Q3 2016 EBIT level of € 5.9m.

Final Q3 figures (€m)

	Final Q3 2017	ODDO BHF estimates	Δ Actual vs estimates	Q3 2016
Sales	48.4	48.2	0.5%	39.8
EBITDA	7.1	7.1	0%	7.1
EBIT	5.2	5.4	-3.0%	5.9

Source: ODDO BHF; Company data

A slightly disappointing Q3 2017, but group overall on track

As already reported on 20 October 2017, the disappointing Q3 earnings performance was due to 1) lower revenue in the Institutional Clients business unit, and 2) higher expenses related to the digitalisation of this unit and to the expansion of the sales network. We confirm our view that Hypoport does not face any structural problems in its Institutional Clients segment, but that the relative weakness in Q3 2017 was due to the normal volatility of this business. Regarding the Credit Platform (Europace) business, the performance of the German mortgage market from January to August 2017 corresponds exactly to our original full-year 2017e model assumption (+1%) and thus did not come as a surprise to us. We assume Europace will be able to show further strong growth by expanding its market share.

Investment case intact, upgrade to Buy

HYQ's share price has recently suffered from 1) restrained growth in the overall German market for mortgage financing as well a softened rate of growth in transaction volume on Europace in Q3 2017, and 2) disappointing preliminary Q3 earnings. The sharp fall of the share price was also due to profit-taking after the very strong performance of the past two years and recent exaggerations (exceeding the € 160 mark). The share price has now reached the level of early September again, which we regard as an attractive entry level on the basis of our unchanged target price of € 139. Hypoport's investment case remains intact, i.e. proven, profitable, and still strongly expanding business models in combination with a very promising InsurTech growth story. At the current reduced share price level, we upgrade our recommendation from Neutral to Buy.

Martin Decot (Analyst)

+49 (69) 71 83 736
martin.decot@bhf-bank.com

Conflict of interests:

ODDO BHF CORPORATES & MARKETS, a division of ODDO BHF SCA, limited sharepartnership - Bank authorised by ACPR. ODDO BHF and/or one of its subsidiaries could be in a conflict of interest situation with one or several of the groups mentioned in this publication. Please refer to the conflict of interests section at the end of this document. This is a non-contractual document, it is strictly for the private use of the recipient, and the information it contains is based on sources we believe to be reliable, but whose accuracy and completeness cannot be guaranteed. The opinions given in the document reflect our appraisal at the time of publication and may therefore be revised at a later date.



HYQGn.DE | HYQ GY
Financial Services | Germany

Buy
Upside
11.65%

Price 124.50EUR
TP 139.00EUR

	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
PER SHARE DATA (EUR)								
Adjusted EPS	-0.13	0.51	0.96	2.63	3.00	3.38	4.03	4.56
Reported EPS	-0.13	0.51	0.96	2.63	3.00	3.38	4.03	4.56
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	12.7%	19.2%	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	1.59	2.96	3.45
Book value per share	4.81	5.34	6.29	8.68	10.62	13.78	17.81	22.37
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	161		
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	125	125	125
Capitalization	55.1	50.7	67.6	201	451	764	764	764
Restated Net debt	9.7	5.9	3.9	-13.5	-11.7	-21.5	-39.6	-60.8
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	748	729	708
P/E (x)	ns	16.1	11.4	12.7	25.0	36.8	30.9	27.3
P/CF (x)	58.8	5.2	4.4	5.7	16.0	27.4	23.9	21.1
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%	1.3%	2.4%	2.8%
P/B incl. GW (x)	1.86	1.55	1.75	3.84	7.07	9.03	6.99	5.56
P/B excl. GW (x)	1.86	1.55	1.75	3.84	7.07	9.03	6.99	5.56
EV/Sales (x)	0.76	0.58	0.65	1.36	2.88	3.88	3.35	2.93
EV/EBITDA (x)	8.2	7.0	5.7	7.6	15.9	22.7	18.9	16.4
EV/EBIT (x)	20.9	14.5	9.1	9.8	19.4	29.4	24.2	20.8
(*) historical average price								
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	193	218	242
EBITDA	8.1	8.1	12.7	25.1	28.3	33.0	38.5	43.2
Depreciations	-4.9	-4.2	-4.8	-5.8	-5.1	-7.5	-8.3	-9.1
Current EBIT	3.2	3.9	7.9	19.3	23.2	25.5	30.2	34.1
Published EBIT	3.2	3.9	7.9	19.3	23.2	25.5	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	-4.3	-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	20.8	24.7	28.0
Adjusted attributable net profit	-0.8	3.1	5.9	15.9	18.0	20.8	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	24.8	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	84.6	109	137
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	84.9	110	138
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	-21.5	-39.6	-60.8
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	33.0	38.5	43.2
Change in WCR	1.2	3.7	-3.0	2.9	-7.5	-14.0	-9.0	-9.6
Interests & taxes	-1.5	-1.5	-1.3	-2.9	-3.4	-4.7	-5.4	-6.1
Others	-0.1	-0.5	0.0	1.6	-0.7	-0.4	-1.0	-1.0
Operating Cash flow	7.8	9.9	8.4	26.7	16.7	13.9	23.1	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	9.8	18.2	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	9.8	18.2	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%	23.0%	13.1%	10.8%
Lfl 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%	9.6%	18.5%	13.0%
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	12.7%	19.2%	13.2%
Net margin	-0.9%	3.2%	5.3%	11.4%	11.5%	10.8%	11.4%	11.6%
EBITDA margin	9.3%	8.3%	11.3%	18.0%	18.1%	17.1%	17.7%	17.9%
Current EBIT margin	3.6%	4.0%	7.1%	13.9%	14.8%	13.2%	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%	12.8%	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%	58.4%	40.6%	ns
ROCE post-tax hors GW (normative tax rate)	11.7%	13.0%	23.6%	60.6%	64.1%	58.4%	40.6%	ns
ROE	-2.7%	10.1%	16.6%	34.9%	31.0%	28.0%	25.5%	22.7%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Gearing	33%	18%	10%	-26%	-18%	-25%	-36%	-44%
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 Securities, Fininfo



• **Valuation method**

Our target prices are established on a 12-month time frame 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 time frame.

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: www.oddosecurities.com**

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
30.10.17	Buy	139.00	124.50	Martin Decot
23.10.17	Neutral	139.00	120.75	Martin Decot
21.06.17	Buy	139.00	123.05	Dr. Oliver Pucker, CFA

Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(424)	46%	43%	11%
Liquidity providers coverage	(148)	39%	53%	7%
Research service coverage	(58)	50%	48%	2%
Investment banking services	(51)	65%	29%	6%

Risk of conflict of interest :

Investment banking and/or Distribution

Has Oddo BHF, managed or co-managed in the past 12 months a public offering of securities for the subject company/ies? No

Has Oddo BHF, 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? No

Research contract between Oddo group & the issuer

Oddo BHF and the issuer have agreed that Oddo BHF will produce and disseminate investment recommendations on the said issuer as a service to the issuer Yes

Liquidity provider agreement and market-making

At the date of the distribution of this report, does Oddo BHF, act as a market maker or has Oddo BHF, signed a liquidity provider agreement with the subject company/ies? Yes

Significant equity stake

Does Oddo BHF, own 5% or more of any class of common equity securities of the subject company/ies? No

Does the subject company beneficially own 5% or more of any class of common equity of Oddo BHF or its affiliates? No

Disclosure to Company

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

Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? No

Additional material conflicts

Is Oddo BHF, aware of any additional material conflict of interest? No

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: www.oddosecurities.com



Disclaimer:

Disclaimer for Distribution by ODDO BHF SCA to Non-United States Investors:

This research publication is produced by ODDO BHF Corporate & Markets, a division of ODDO BHF SCA ("ODDO"), which is licensed by the Autorité de Contrôle Prudenciel et de Résolution (ACPR) and regulated by the Autorité des Marchés Financiers ("AMF").

The research, when distributed outside of the U.S., is intended exclusively for non-U.S. customers of ODDO and cannot be divulged to a third-party without prior written consent of ODDO. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French regulatory provisions designed to promote the independence of investment research. The recommendation presented in this document is reviewed and updated at least quarterly following each Quarterly Report published by the issuer that is the subject of this Research Report.

At the time of publication of this document, ODDO and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context which is subject to change without notice. The views expressed in this Research Report accurately reflect the analyst's personal views about the subject securities and/or issuers and no part of his compensation was, is, or will be directly or indirectly related to the specific views contained in the Research Report. This Research Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice.

This Research Report is for institutional investors only. It may not contain information necessary for others to make investment decisions. Consult your financial adviser or an investment professional if you are not an institutional investor.

Disclaimer for Distribution by Oddo New York to United States Investors:

This Research Report is produced by ODDO BHF Corporate & Markets, a division of ODDO. This research is distributed to U.S. investors exclusively by ODDO BHF New York Corporation ("ONY"), MEMBER: FINRA/SIPC, and is intended exclusively for U.S. customers of ONY and cannot be divulged to a third-party without prior written consent of ONY. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. This research has been prepared in accordance with regulatory provisions designed to promote the independence of investment research. "Chinese walls" (information barriers) have been implemented to avert the unauthorized dissemination of confidential information and to prevent and manage situations of conflict of interest. This research has been prepared in accordance with French regulatory provisions designed to promote the independence of investment research. The recommendation presented in this document is reviewed and updated at least quarterly following each Quarterly Report published by the issuer that is the subject of this Research Report.

At the time of publication of this document, ODDO, and/or one of its subsidiaries may have a conflict of interest with the issuer(s) mentioned. While all reasonable effort has been made to ensure that the information contained is not untrue or misleading at the time of publication, no representation is made as to its accuracy or completeness and it should not be relied upon as such. Past performances offer no guarantee as to future performances. All opinions expressed in the present document reflect the current context which is subject to change without notice. The views expressed in this Research Report accurately reflect the analyst's personal views about the subject securities and/or issuers and no part of his compensation was, is, or will be directly or indirectly related to the specific views contained in the Research Report. This Research Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice.

This Research Report is for institutional investors only. It may not contain information necessary for others to make investment decisions. Consult your financial adviser or an investment professional if you are not an institutional investor.

Rule 15a-6 Disclosure:

Under Rule 15a-6(a)(3), any transactions conducted by ODDO, and/or one of its subsidiaries with U.S. persons in the securities described in this foreign research must be effected through ONY. As a member of FINRA, ONY has reviewed this material for distribution to U.S. persons as required by FINRA Rules 2241(h) applicable to dissemination of research produced by its affiliate ODDO.

FINRA Disclosures:

- Neither ONY, ODDO, nor ODDO BHF Corporate & Markets beneficially owns 1% or more of any class of common equity securities of the subject company.
- The research analyst of ODDO BHF Corporate & Markets, at the time of publication of this research report, is not aware, nor does he or she know or have reason to know of any actual, material conflict of interest of himself or herself, ODDO, ODDO BHF Corporate & Markets or ONY, except those mentioned in the paragraph entitled "Risks of Conflicts of Interest."
- ODDO BHF Corporate & Markets or ODDO may receive or seek compensation for investment banking services in the next 3 months from the subject company of this Research Report, but ONY would not participate in those arrangements.
- Neither ONY, ODDO, ODDO BHF Corporate & Markets has received compensation from the subject company in the past 12 months for providing investment banking services except those mentioned in the paragraph of "Risks of Conflict of Interest".
- Neither ONY, ODDO, ODDO BHF Corporate & Markets has managed or co-managed a public offering of securities for the subject company in the past 12 months except those mentioned in the paragraph of "Risk of Conflict of Interest".
- ONY does not make (and never has made) markets and, accordingly, was not making a market in the subject company's securities at the time that this research report was published.

Regulation AC: ONY is exempt from the certification requirements of Regulation AC for its distribution to a U.S. person in the United States of this Research Report that is prepared by an ODDO BHF Corporate & Markets research analyst because ODDO has no officers or persons performing similar functions or employees in common with ONY and ONY maintains and enforces written policies and procedures reasonably designed to prevent it, any controlling persons, officers or persons performing similar functions, and employees of ONY from influencing the activities of the third party research analyst and the content of research reports prepared by the third party research analyst.

Contact Information of firm distributing research to U.S. investors: ODDO BHF New York Corporation, MEMBER: FINRA/SIPC, is a wholly owned subsidiary of ODDO BHF SCA; Philippe Bouclainville, President (pbouclainville@oddone.com) 150 East 52nd Street New York, NY 10022 212-481-4002.