Hypoport AG

Close Brothers Seydler Research AG

Recommendation:	Risk:	Price Target:
BUY (BUY)	HIGH (HIGH)	EUR 15.00 (15.00)

25 January 2011

Continuing on steep growth path

Great news from both EUROPACE and Dr. Klein

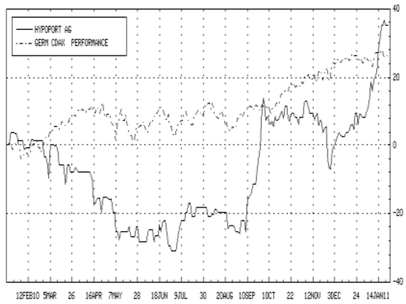
- Hypoport recently reported that the volume of transactions generated by the EUROPACE platform reached a new all-time high in 2010. Benign market conditions, carefully targeted capital expenditure and the growing marketplace effect enabled the Group to continue on its growth trajectory. The volume of transactions executed via the EUROPACE financial marketplace hit a new record of ~ EUR 15.11bn for 2010 as a whole, which was a yoy increase of 17.1%. Mortgage finance continued to account for the largest proportion of total transaction volume in 2010, increasing by 12.44% yoy to ~ EUR 12.85bn. Personal loans were almost flat yoy, whilst building finance, the latest product to be added to the range, generated a transaction volume of ~ EUR 1.02bn, almost quadrupling its contribution.
- Dr. Klein, Hypoport´s subsidiary specialising in financial products sales, also published very positive news last week. The division comprising of the two segments Private Clients and Corporate Real Estate Clients could strengthen profitability, increase the volume of contracts across all product classes and implemented the planned market integration with Freie Hypo GmbH in record time. Countrywide 5% new branches were opened. Dr. Klein is therefore regionally diversified with 184 branches in total. The number of financial advisors increased by a whole 40% to 544. This result corresponds with the chosen strategy of the company with the aim of increasing the profitability of branches with growth in sales agents. What should be highlighted is the growth in brokered real estate financing where the volume of closed real estate financing contracts grew by 38%. The volume of other insurance products also displayed growth figures in a double-digit range. Beside the successful distribution strategy changes in the financial marketplace further strengthened the positive result.
- Our estimates for 4Q 2010 were rather cautious as we believed it would be difficult to maintain the stellar growth rates of 2Q and 3Q 2010. However, in light of the positive news flow we have increased our estimates for 2010E. Our new sales estimates for 2010E thus amount to EUR 64.0m and we predict EBIT to come in at around EUR 6.2m. For the time-being we keep our 2011E estimates unchanged but do not rule out that there is a possibility we might adjust them upwards after preliminary 2010E figures are reported, with regard to which we do expect some "pleasant surprises" following the recent developments.
- We maintain our Price Target of EUR 15.00 and again recommend to BUY the share.

Key data

FY 12/31, EUR m	2007	2008	2009	2010E	2011E	2012E
Sales	40.7	52.7	50.5	64.0	69.0	80.0
EBIT	6.2	5.0	1.2	6.2	6.0	9.1
Net result	4.3	-0.3	-0.3	3.7	3.7	5.7
EPS	1.05	-0.05	-0.05	0.60	0.60	0.92
DPS	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA margin	21.5%	15.3%	9.7%	20.2%	15.7%	17.6%
EBIT margin	15.1%	9.4%	2.4%	9.7%	8.7%	11.4%
Net margin	10.5%	-0.5%	-0.7%	5.8%	5.4%	7.1%
ROE	18.6%	-1.2%	-1.4%	14.0%	13.1%	18.4%
EV/EBITDA	9.6	10.5	17.2	6.5	7.8	6.0
EV/EBIT	13.7	17.0	69.1	13.6	14.1	9.3
P/E	16.9	-255.4	-207.9	19.7	19.5	12.8

Source: CBS Research AG, Hypoport AG

Share price (dark) vs. CDAX



Source: CBS Research AG, Bloomberg, Hypoport AG

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Revenue	64.0	60.0	-	69.0	-	80.0
EBIT	6.2	4.4	-	6.0	-	9.1
EPS	0.60	0.39	-	0.60	-	0.92

www.hypoport.com
Sector: Financial Services
WKN: 549336
ISIN: DE0005493365
Reuters: HYQGn.DE
Bloomberg: HYQ GY

Short company profile:

The Hypoport Group is an internet-based financial services provider that consists of two mutually supportive pillars, namely Dr. Klein and EUROPACE

Share data:

Share price (EUR, latest closing price):	**11.76**
Shares outstanding (m):	6.181
Market capitalisation (EUR m):	72.7
Enterprise value (EUR m):	84.3
Ø daily trading volume (3 m., no. of shares):	2,146

Performance data:

High 52 weeks (EUR):	11.88
Low 52 weeks (EUR):	5.85
Absolute performance (12 months):	35.2%
Relative performance vs. CDAX:	
1 month	23.5%
3 months	15.4%
6 months	42.9%
12 months	6.8%

Shareholders:

Revenia GmbH	34.8%
Kretschmar Familienstiftung	18.7%
Deutsche Postbank AG	9.7%
Free float	36.8%

Financial calendar:

Annual report 2010 — 01 April 2011

Author: **Rabeya Khan** (Analyst)

Close Brothers Seydler Research AG
Phone: +49 (0) 69-977 84 56 0
Email: research@cbseydlerresearch.ag

www.cbseydlerresearch.ag

Research

Close Brothers Seydler Research AG

Schillerstrasse 27 - 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag		
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Kristina Kardum	+49 (0)69 -977 8456- 21 Kristina.Kardum@cbseydlerresearch.ag
Rabeya Khan	+49 (0)69 -977 8456- 10 Rabeya.Khan@cbseydlerresearch.ag	Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag	Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag
Enid Omerovic	+49 (0)69 -977 8456- 19 Enid.Omerovic@cbseydlerresearch.ag	Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag
Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag		

Institutional Sales

Close Brothers Seydler Bank AG

Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Close Brothers Seydler UK

25 Dowgate Hill
London EC4R 2GA

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 Raimar.Bock@cbseydler.com		
Henriette Domhardt (Germany)	+49 (0)69 -9 20 54-137 Henriette.Domhardt@cbseydler.com	Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 Ruediger.Eich@cbseydler.com
Uwe Gerhardt (Germany, Switzerland)	+49 (0)69 -9 20 54-168 Uwe.Gerhardt@cbseydler.com	Klaus Korzilius (Austria, Benelux, Germany)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com
Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com	Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com	Janine Theobald (Austria, Benelux, Germany)	+49 (0)69 -9 20 54-106 Janine.Theobald@cbseydler.com

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Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 6 months:

BUY: The expected performance of the share price is above +10%.
HOLD: The expected performance of the share price is between 0% and +10%.
SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
17 November 2010	BUY (Initiating Coverage)	EUR 9.43	EUR 15.00
25 January 2011	BUY	EUR 11.76	EUR 15.00

Risk-scaling System:
Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark
HIGH: The volatility is expected to be higher than the volatility of the benchmark

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Responsible Supervisory Authority:
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
Graurheindorferstraße 108
53117 Bonn

and

Lurgiallee 12
60439 Frankfurt

Close Brothers Seydler Research AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.cbseydlerresearch.ag
Tel.: 0049 - (0)69 - 97 78 45 60