

Hypoport AG

Neutral ↘ | Target 174.00 EUR vs 167.00 EUR ↗

Price (19/06/2018) : 164.20 EUR | Upside : 6 %

Est.chg	2018e	2019e
EPS	2.6%	2.7%

Takeover of ASC brings about synergies and profitable growth

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Source : Oddo BHF Securities, Fininfo

Capital

HYQ GY HYQn.DE	
Market Cap (EURm)	1,025
Enterprise value (EURm)	1,058
Extrema 12 months	110.5 - 168.4
Free Float (%)	53.6

Performance (%)	1m	3m	12m
Absolute	-1.6	21.6	33.7
Perf. rel. Country Index	1.4	18.6	36.8
Perf. rel. Property, holding	1.7	20.7	31.7

P&L	12/18e	12/19e	12/20e
Sales (EURm)	253	289	326
EBITDA (EURm)	40.4	48.4	56.8
Current EBIT (EURm)	31.1	36.4	43.0
Attr. net profit (EURm)	24.3	28.3	33.9
Adjusted EPS (EUR)	3.97	4.53	5.42
Dividend (€)	0.00	0.00	0.00

P/E (x)	41.4	36.2	30.3
P/B (x)	9.4	7.6	6.1
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.2	1.5	2.0
EV/Sales (x)	4.16	3.67	3.18
EV/EBITDA (x)	26.1	21.9	18.3
EV/Current EBIT (x)	33.8	29.1	24.1
Gearing (%)	39	19	3
Net Debt/EBITDA(x)	1.0	0.5	0.1

Next Events

06.08.2018	H1 Results
05.11.2018	Q3 Results

Third takeover in two months strengthens Hypoport's broker pool and Insurance platform business, creates synergies

On 19 June, Hypoport (HYQ) announced the takeover of 100% in ASC Assekuranz-Service Center GmbH (ASC). In 2017, ASC had around 50 permanent employees and generated sales of >€ 17m. It offers pooling services for insurance brokers, acts as an underwriter (incl. offering of own cover concepts for brokers, which can prepare offers and orders to cover on this basis), and outsourcing services for insurance companies.

Like the two previous takeovers (FIO and Value AG, both in the real estate area), this latest acquisition offers a lot of potential for cross-selling and profitable growth. By taking over ASC, HYQ is expanding the existing broker pool business of its subsidiary Qualitypool which will thus become one of the top broker pools in Germany, according to HYQ. ASC's offering of own cover concepts for brokers, with very efficient and effective processing by means of HYQ's insurance platform, will be attached to Qualitypool (Credit Platform segment).

Management told us that the ASC technology will be integrated into HYQ's insurance platform (Smart InsurTech), extending the platform by adding processes that are necessary for the outsourcing of back-office services on behalf of insurance companies or underwriters. ASC's complementary offering gives HYQ a very strong positioning with insurance companies. While HYQ's subsidiary Volz Vertriebservice GmbH is a specialist for personal insurance, ASC is strong in property, accident and liability insurance.

The purchase price for 100% of ASC's shares is € 20m. In addition, a debtor warrant of up to € 10m in total was agreed with ASC's existing shareholders. This will depend on ASC's earnings performance in the period from 2018 to 2022. Management told us that the takeover will be debt-financed over 10 years at an interest rate of 1.85% p.a.

Increasing our estimates based on takeover and guidance change

ASC is HYQ's third acquisition in seven weeks. After the first takeover (FIO), management increased its sales guidance from € 220-240m to € 230-250m, and its 2018e EBIT guidance from € 26-31m to € 28-33m. After the ASC acquisition, HYQ now anticipates revenue of € 240-260m and EBIT of € 29-34m in 2018. ASC will be consolidated from 19 June 2018 (according to company information). We estimate its sales contribution at € 9.3m in 2018e and € 18.0m in 2019e. We accordingly increase our sales and earnings estimates for 2018e-2020e.

Target price raised, but downgrade to Neutral after recent rally

Like the previous takeovers, the ASC acquisition offers a lot of potential for cross-selling and profitable growth. The synergy potential, however, is still hard to quantify, and the evolving combination of previously offered and new services and the reshaping of the business segments in the upcoming H1 report (due 06 Aug) currently complicate our analysis and valuation of the group. We therefore abandon our valuation per segment for now and use a DCF model for the whole group. This results in a new fair value per share of € 174.07. Please note that we also account for the dilution from the capital increase in the context of the FIO takeover (share component of 298,418 HYQ shares). We increase our TP from € 167 to € 174. Due to the shares' strong performance in recent months, however, we downgrade from Buy to Neutral. We will revisit our assessments after publication of the H1 report, which will include the new segment structure, preliminary purchase price allocations, as well as information regarding the integration of the acquired companies.

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DCF model (group)

	EURm	PHASE 1			PHASE 2						PHASE 3	
		2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	∞
Group sales		253.3	288.6	326.5	362.9	402.0	443.2	485.7	527.6	561.8	574.5	
yoy growth		30.0%	13.9%	13.1%	11.2%	10.8%	10.3%	9.6%	8.6%	6.5%	2.3%	
EBIT		31.1	36.0	42.8	51.1	60.5	70.2	81.6	95.0	108.0	116.5	
EBIT margin		12.3%	12.5%	13.1%	14.1%	15.1%	15.8%	16.8%	18.0%	19.2%	20.3%	
Income tax on EBIT		-7.7	-8.9	-10.6	-12.8	-15.2	-17.8	-20.8	-24.4	-27.9	-30.3	
Depreciation and amortisation		9.3	12.0	13.8	15.0	16.7	18.5	20.5	22.4	23.9	24.3	
Change in net working capital		-4.2	-4.9	-5.2	-5.0	-5.4	-5.7	-5.9	-5.8	-4.7	-1.8	
Net capital expenditure and acquisitions		-68.4	-19.2	-21.2	-23.0	-24.7	-26.4	-28.4	-30.4	-32.2	-24.3	
Free cash flow		-39.9	26.1	31.5	38.0	45.2	52.8	61.4	71.7	82.2	99.3	
Present values		-38.3	23.1	25.8	28.7	31.6	34.1	36.7	39.6	42.0	46.9	813.5
Present value Phase 1		10.6										
Present value Phase 2		259.7										
Present value Phase 3		813.5										
Total present value		1,083.8										
Net debt (31 Dec. 2017)		-2.1										
Financial assets at est. market value		5.3										
Fair value of equity		1,087.0										
Number of shares (m)		6.2										
Fair value per share (in EUR)		174.07										

Risk free rate	0.78%	Target equity ratio	80.0%
Equity risk premium	7.23%	Beta	1.2
Debt risk premium	2.50%	WACC	7.9%
Tax shield (Phase 3)	26.0%	Terminal growth	2.0%

Sensitivity analysis					
Terminal growth rate (Phase 3)					
	1.0%	1.5%	2.0%	2.5%	3.0%
6.88%	188.77	202.74	219.56	240.23	266.24
7.38%	169.99	181.27	194.65	210.76	230.57
WACC 7.88%	154.03	163.27	174.07	186.88	202.32
8.38%	140.32	147.96	156.81	167.15	179.43
8.88%	128.42	134.81	142.13	150.60	160.52

Source: Oddo BHF Securities



HYQn.DE | HYQ GY
Financial Services | Germany

Neutral
Upside 5.97%

Price 164.20EUR
TP 174.00EUR

	12/13	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
PER SHARE DATA (EUR)								
Adjusted EPS	0.51	0.96	2.63	3.00	3.10	3.97	4.53	5.42
Reported EPS	0.51	0.96	2.63	3.00	3.10	3.97	4.53	5.42
Growth in EPS(%)	ns	88.0%	ns	14.2%	3.3%	28.0%	14.2%	19.7%
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	0.67	0.37	3.24	1.50	-0.40	1.96	2.53	3.33
Book value per share	5.34	6.29	8.68	10.62	13.90	17.47	21.65	27.07
Number of shares market cap	6.14	6.14	6.04	6.01	5.94	6.12	6.24	6.24
Number of diluted shares	6.14	6.14	6.04	6.01	5.94	6.12	6.24	6.24
VALUATION								
12m highest price	10.46	13.78	80.50	97.00	161	168		
12m lowest price	7.03	8.67	12.16	53.59	77.48	120		
(*) Reference price	8.27	11.01	33.28	75.07	114	164	164	164
Capitalization	50.7	67.6	201	451	676	1,005	1,025	1,025
Restated Net debt	5.9	3.9	-13.5	-11.7	2.0	41.3	25.5	4.7
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	0.5	1.0	2.1	10.9	7.1	7.1	7.1	7.1
Enterprise Value	57.1	72.5	190	451	685	1,053	1,058	1,037
P/E (x)	16.1	11.4	12.7	25.0	36.7	41.4	36.2	30.3
P/CF (x)	5.2	4.4	5.7	16.0	27.3	30.2	25.7	21.7
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	8.1%	3.3%	9.7%	2.0%	ns	1.2%	1.5%	2.0%
P/B incl. GW (x)	1.55	1.75	3.84	7.07	8.18	9.40	7.59	6.07
P/B excl. GW (x)	1.55	1.75	3.84	7.07	8.18	9.40	7.59	6.07
EV/Sales (x)	0.58	0.65	1.36	2.88	3.52	4.16	3.67	3.18
EV/EBITDA (x)	7.0	5.7	7.6	15.9	22.7	26.1	21.9	18.3
EV/EBIT (x)	14.5	9.1	9.8	19.4	29.4	33.8	29.1	24.1
(*) historical average price								
PROFIT AND LOSS (EURm)								
Sales	98	112	139	157	195	253	289	326
EBITDA	8.1	12.7	25.1	28.3	30.1	40.4	48.4	57
Depreciations	-4.2	-4.8	-5.8	-5.1	-6.8	-9.3	-12.0	-13.8
Current EBIT	3.9	7.9	19.3	23.2	23.3	31.1	36.4	43.0
Published EBIT	3.9	7.9	19.3	23.2	23.3	31.1	36.4	43.0
Net financial income	-0.9	-0.7	-0.1	-0.4	-0.3	-0.7	-1.0	-0.5
Corporate Tax	0.1	-1.3	-3.2	-4.8	-4.6	-6.1	-7.2	-8.6
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)	0.0	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	3.1	5.9	15.9	18.0	18.4	24.3	28.3	33.9
Adjusted attributable net profit	3.1	5.9	15.9	18.0	18.4	24.3	28.3	33.9
BALANCE SHEET (EURm)								
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	29.6	31.0	31.9	41.7	56.0	115	120	125
Tangible fixed assets	2.2	2.2	2.6	2.6	4.4	8.7	11.3	13.7
WCR	6.9	9.0	4.9	10.8	27.3	27.0	31.9	37.2
Financial assets	0.8	1.6	1.9	2.3	4.2	4.5	4.9	5.3
Ordinary shareholders equity	32.8	38.6	52.4	63.8	82.6	107	135	169
Minority interests	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Shareholders equity	33.1	38.9	52.7	64.1	82.9	107	135	169
Non-current provisions	0.5	1.0	2.1	4.9	7.1	7.1	7.1	7.1
Net debt	5.9	3.9	-13.5	-11.7	2.0	41.3	25.5	4.7
CASH FLOW STATEMENT (EURm)								
EBITDA	8.1	12.7	25.1	28.3	30.1	40.4	48.4	56.8
Change in WCR	3.7	-3.0	2.9	-7.5	-16.1	-4.2	-4.9	-5.2
Interests & taxes	-1.5	-1.3	-2.9	-3.4	-4.8	-6.8	-8.1	-9.1
Others	-0.5	0.0	1.6	-0.7	-0.6	-0.3	-0.3	-0.4
Operating Cash flow	9.9	8.4	26.7	16.7	8.7	29.1	35.0	42.0
CAPEX	-5.7	-6.2	-7.1	-7.7	-11.1	-17.0	-19.2	-21.2
Free cash-flow	4.1	2.2	19.6	9.0	-2.4	12.0	15.8	20.8
Acquisitions / disposals	0.0	0.0	0.0	0.0	-0.5	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	0.0	0.0	-2.3	-6.9	0.0	0.0	0.0	0.0
Others	-1.4	-1.2	-4.6	3.5	14.9	35.0	-13.4	-18.0
Change in net debt	4.2	1.9	17.3	-3.4	-12.5	-39.3	15.8	20.8
GROWTH MARGINS PRODUCTIVITY								
Sales growth	11.8%	14.5%	23.7%	12.7%	24.4%	30.0%	13.9%	13.1%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	23.5%	ns	ns	20.6%	0.3%	33.5%	17.0%	18.1%
Growth in EPS(%)	ns	88.0%	ns	14.2%	3.3%	28.0%	14.2%	19.7%
Net margin	3.2%	5.3%	11.4%	11.5%	9.5%	9.6%	9.8%	10.4%
EBITDA margin	8.3%	11.3%	18.0%	18.1%	15.5%	15.9%	16.8%	17.4%
Current EBIT margin	4.0%	7.1%	13.9%	14.8%	12.0%	12.3%	12.6%	13.2%
CAPEX / Sales	-5.8%	-5.5%	-5.1%	-4.9%	-5.7%	-6.7%	-6.5%	-6.5%
WCR / Sales	7.0%	8.0%	3.5%	6.9%	14.0%	10.7%	11.1%	11.4%
Tax Rate	-3.3%	18.2%	16.9%	20.8%	19.9%	20.2%	20.2%	20.2%
Normative tax rate	-31.1%	-20.1%	-28.3%	-30.3%	-25.8%	22.2%	ns	79.6%
Asset Turnover	2.5	2.8	3.4	3.3	2.7	2.1	1.8	1.9
ROCE post-tax (normative tax rate)	13.0%	23.6%	60.6%	64.1%	41.1%	20.3%	ns	5.2%
ROCE post-tax hors GW (normative tax rate)	13.0%	23.6%	60.6%	64.1%	41.1%	20.3%	ns	5.2%
ROE	10.1%	16.6%	34.9%	31.0%	25.2%	25.6%	23.4%	22.3%
DEBT RATIOS								
Gearing	18%	10%	-26%	-18%	2%	39%	19%	3%
Net Debt / Market Cap	0.12	0.06	-0.07	-0.03	0.00	0.04	0.02	0.00
Net debt / EBITDA	0.72	0.31	ns	ns	0.07	1.02	0.53	0.08
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 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: 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
20.06.18	Neutral	174.00	164.20	Martin Decot
26.04.18	Buy	167.00	155.80	Martin Decot
10.04.18	Buy	163.00	139.00	Martin Decot
15.01.18	Neutral	139.00	131.60	Martin Decot
30.10.17	Buy	139.00	124.25	Martin Decot
23.10.17	Neutral	139.00	120.75	Martin Decot

In accordance with Article 20 of European Regulation No. 596/2014 (Market Abuse Regulation), a list of all recommendations on any financial instrument or issuer that have been disseminated over the past twelve months is available by clicking on the following link [Web lien](#)

Recommendation split		Buy	Neutral	Reduce
Our whole coverage	(415)	50%	40%	9%
Liquidity providers coverage	(129)	46%	50%	5%
Research service coverage	(59)	51%	44%	5%
Investment banking services	(40)	68%	30%	3%

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