

Hypoport AG

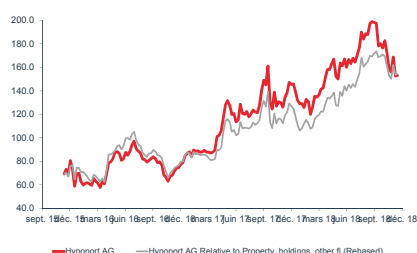
Buy | Target : 189.00 €

Price : 153.00 € | Upside : 24%

Stable FinTech/InsurTech growth story

Monday 17 December 2018

Corporate Governance : -



Capital	
HYQ GY HYQGn.DE	
Market Cap (€m)	955
Enterprise value (€m)	1 004
Extrema 12 months (€)	120.0 - 204.0
Free Float (%)	61.6

Performance (%)	1m	3m	12m
Absolute	-4.1	-22.4	12.7
Perf. rel. Country Index	0.0	-15.6	26.2
Perf. rel. Property, holding	2.4	-9.2	29.3

P&L	12/18e	12/19e	12/20e
Sales (€m)	260	312	347
EBITDA (€m)	40.1	52.5	62.3
Current EBIT (€m)	30.2	40.8	49.7
Attr. net profit (€m)	22.9	30.6	37.3
Adjusted EPS (€)	3.74	4.90	5.97
Dividend (€)	0.00	0.00	0.00
P/E (x)	40.9	31.2	25.6
P/B (x)	6.1	5.2	4.3
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.7	1.8	2.5
EV/Sales (x)	3.86	3.22	2.83
EV/EBITDA (x)	25.1	19.1	15.7
EV/Current EBIT (x)	33.2	24.6	19.7
Gearing (%)	33	18	4
Net Debt/EBITDA (x)	1.3	0.6	0.1

Next Events

14/01/2019	Trading update
11/03/2019	Sales and Earning Release
25/03/2019	FY Results
11/04/2019	Trading update

Hypoport combines proven, profitable, and still strongly expanding (FinTech) business models with a very promising InsurTech growth story. We regard Hypoport as a relatively defensive growth stock, as the company's growth is largely decoupled from cyclical market movements.

Business and markets

Hypoport (HYQ) is a network of technology (FinTech/InsurTech) companies for the financial, real estate and insurance sectors with a focus on finance brokerage. In its credit platform segment, HYQ operates Europace, the leading B2B platform for mortgage finance in Germany. Hypoport's private clients segment is aimed at directly advising consumers (B2C) with its web-based, non-captive financial product distributor Dr. Klein Privatkunden AG (mostly a franchise system). The real estate platform segment targets digitalising the sale, valuation and management of properties. The insurance platform segment operates Smart InsurTech, a leading web-based B2B platform for advice, comparison of tariffs and the administration of insurance policies in Germany.

Strategy and outlook

As the number one mortgage broking platform in Germany, Europace has clear size advantages. Europace and ING's subsidiary Interhyp virtually form a duopoly in Germany protected by strong barriers to entry based on economies of scale as well as the high cumulative number of product suppliers. This puts Hypoport in a strong position to profitably grow its market share. The ongoing gradual switch of savings banks and cooperative banks to the sub-platforms Finmas and Genopace offers high growth potential in these market segments. A possible, albeit unforeseeable acquisition of a large private bank on Europace's demand side would provide a massive boost in transaction volumes (management refers to such an event as a black swan).

The private clients segment continues to benefit from the upward trend in the proportion of consumers with a preference for independent financial advice. Additional growth opportunities arise from the real estate platform segment (Hypoport has formed Germany's largest independent property valuation company) and especially from its insurance platform segment. Hypoport has assumed the role of market consolidator in the area of InsurTech and sees great market potential in replacing the inefficient and complex software environment of insurance brokers with its comprehensive state-of-the-art solution. We see Hypoport in the pole position in the German market due to its strong capital resources, its excellent technology, and the full-range offering of its platform.

Recent events and forecasts

In 9M 2018, transaction volumes at Europace and Dr. Klein increased ~17.6% and 28%, respectively, whereas overall mortgage lending volume in Germany grew only c.3.6% yoy (source: Deutsche Bundesbank). In Q3 2018, Hypoport's EBIT in its segments real estate platform and private clients came in below our expectations. Management however confirmed its increased guidance for 2018e (sales of € 240-260m, EBIT of € 29-34m).

Challenges and themes to discuss at the Forum

1/ Expected direction of the housing market and its impact on HYQ; 2/ current progress on expanding business relationships with acquired client bases to encompass all modules of the SMART INSUR platform; 3/ what is the potential of the company's real estate valuation business?

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NOTE PAD

FINANCIAL DATA

P&L (€m)	12/16	12/17	12/18e	12/19e	12/20e	Cash flow statement (€m)	12/16	12/17	12/18e	12/19e	12/20e	Valuation	12/16	12/17	12/18e	12/19e	12/20e
Sales	157	195	260	312	347	EBITDA	28.3	30.1	40.1	53	62	12m highest price (€)	97.0	161.0	204.0		
EBITDA	28.3	30.1	40.1	53	62	Net paid financial costs	-0.3	-0.1	-1.3	-1.8	-1.7	12m lowest price (€)	53.6	77.5	120.0		
Depreciations	-5.1	-6.8	-9.8	-11.7	-12.6	Tax paid	-3.1	-4.7	-6.0	-8.4	-10.7	Reference price (€)	75.1	113.7	153.0	153.0	153.0
Current EBIT	23.2	23.3	30.2	40.8	49.7	Other	-0.7	-0.6	-0.3	-0.3	-0.4	Capitalization (€m)	451	676	938	955	955
Published EBIT	23.2	23.3	30.2	40.8	49.7	Operating cash flow	16.7	8.7	32.1	37.4	46.5	EV (M€)	451	685	1 004	1 004	979
Net financial income	-0.4	-0.3	-1.3	-1.8	-1.7	Capex	-7.7	-11.1	-16.3	-20.2	-22.2	P/E (x)	25.0	36.7	40.9	31.2	25.6
Corporate Tax	-4.8	-4.6	-6.0	-8.4	-10.7	Acquisitions / disposals	0.0	-0.5	0.0	0.0	0.0	P/CF (x)	16.0	27.3	28.9	22.8	19.3
Inc. of equity-accounted comp.	0.0	0.0	0.0	0.0	0.0	Other cash flows from investing	-5.6	-9.6	-6.4	0.0	0.0	Net Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Income of disc. activities	0.0	0.0	0.0	0.0	0.0	Cash flows from inv. activities	-13.3	-21.2	-8.0	-20.2	-22.2	FCF yield	2.0%	ns	1.7%	1.8%	2.5%
Minority interests	0.0	0.0	0.0	0.0	0.0	Dividends paid	0.0	0.0	0.0	0.0	0.0	P/BV incl. GW (x)	7.1	8.2	6.1	5.2	4.3
Attributable net profit	18.0	18.4	22.9	30.6	37.3	Net capital increase	-6.9	0.0	0.0	0.0	0.0	P/BV excl. GW (x)	7.1	8.2	6.1	5.2	4.3
Adjusted attributable net profit	18.0	18.4	22.9	30.6	37.3	Other cash flow from fin. act.	0.0	0.0	0.0	0.0	0.0	EV/Sales (x)	2.88	3.52	3.86	3.22	2.83
Balance sheet (€m)	12/16	12/17	12/18e	12/19e	12/20e	Cash flow from fin. activities	-3.4	14.9	68	-15.5	-15.0	EV/EBITDA (x)	15.9	22.7	25.1	19.1	15.7
Goodwill	0.0	0.0	0.0	0.0	0.0	Change in net cash	-3.4	-12.5	-48.3	17.2	24.3	EV/EBIT (x)	19.4	29.4	33.2	24.6	19.7
Other intangible assets	41.7	56	186	191	198	Growth / Margins	12/16	12/17	12/18e	12/19e	12/20e	EV/FCF to firm (x)	53.4	-431.7	57.6	51.7	37.1
Tangible fixed assets	2.6	4.4	10.5	13.5	16.5	Sales growth	12.7%	24.4%	33.6%	19.8%	11.1%	EV/AE incl. GW (x)	8.2	7.8	4.7	4.4	4.1
WCR	10.8	27.3	17.7	22.3	25.3	Lfl sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	EV/AE excl. GW (x)	1.6	1.5	1.7	4.8	8.2
Financial assets	2.3	4.2	4.5	4.9	5.3	Current EBIT growth	20.6%	0.3%	29.7%	35.0%	21.8%	Profitability	12/16	12/17	12/18e	12/19e	12/20e
Ordinary shareholders equity	64	83	153	184	221	Growth in EPS	14.2%	3.3%	20.6%	31.2%	21.7%	ROCE before tax	49.2%	32.6%	20.0%	18.5%	21.3%
Shareholders equity	64	83	153	184	221	Net margin	11.5%	9.5%	8.8%	9.8%	10.8%	ROCE post-tax	64.1%	41.1%	15.6%	ns	4.4%
Non-current provisions	4.9	7.1	15.1	15.1	15.1	EBITDA margin	18.1%	15.5%	15.4%	16.8%	18.0%	ROE	31.0%	25.2%	19.5%	18.2%	18.4%
Net debt	-11.7	2.0	50	33.0	8.8	Current EBIT margin	14.8%	12.0%	11.6%	13.1%	14.3%	Asset Turnover (x)	3.3	2.7	1.7	1.4	1.5
Per share data (€)	12/16	12/17	12/18e	12/19e	12/20e	Capex / CA	-4.9%	-5.7%	-6.3%	-6.5%	-6.4%						
EPS before goodwill	3.00	3.10	3.74	4.90	5.97	WCR/Sales	6.9%	14.0%	6.8%	7.1%	7.3%						
Reported EPS	3.00	3.10	3.74	4.90	5.97	Tax Rate	20.8%	19.9%	20.9%	21.4%	22.3%						
Net dividend per share	0.00	0.00	0.00	0.00	0.00	Normative tax rate	-30.3%	-25.8%	22.2%	ns	79.6%						
Book value par action	10.6	13.9	24.9	29.4	35.4	Debt ratios	12/16	12/17	12/18e	12/19e	12/20e						
Nber of shares market cap (m)	6.01	5.94	6.13	6.24	6.24	Gearing	-18%	2%	33%	18%	4%						
Nber of diluted shares (m)	6.01	5.94	6.13	6.24	6.24	Net Debt / Market Cap	-0.03	0.00	0.05	0.03	0.01						
						Net debt/EBITDA	ns	0.07	1.26	0.63	0.14						
						EBITDA/ net financial charges	ns	ns	ns	ns	ns						