

Recommendation:
BUY (BUY)

Risk:
HIGH (HIGH)

Price Target:
EUR 11.00 (11.90)

06 May 2013

Hypoport maintains growth track...

1Q 2013: Revenues +7.2% YoY / EBITDA -48.3% YoY

Hypoport AG today disclosed its interim figures for 1Q 2013. The company continued to grow in the first quarter of 2013, raising its revenue by 7.2% to EUR 22.1m (PY: EUR 20.6m), which is in line with our 1Q 2013 revenue estimate of EUR 21.9m. Considering the revenue distributions across Hypoport's business divisions, Institutional Clients generated revenues of EUR 2.8m (PY: EUR 2.1m) in 1Q 2013. The Private Clients business unit slightly increased its revenues to EUR 12.9m (PY: EUR 12.6m) as Dr. Klein & Co. AG improved its volume of insurance and loan transactions in the first quarter of this year compared to the corresponding period of 2012. Furthermore, growth in most product areas kept the transaction volume on EUROPACE at a high level, spurring revenues in the Financial Service Providers business unit, which rose by 8.2% to EUR 6.3m (PY: EUR 5.8m). With regard to EUROPACE mortgage finance remained unchanged in the YoY comparison, whereas the transaction volume stemming from building finance products increased by 7.6% and those attributable to personal loans even jumped by 13.0%.

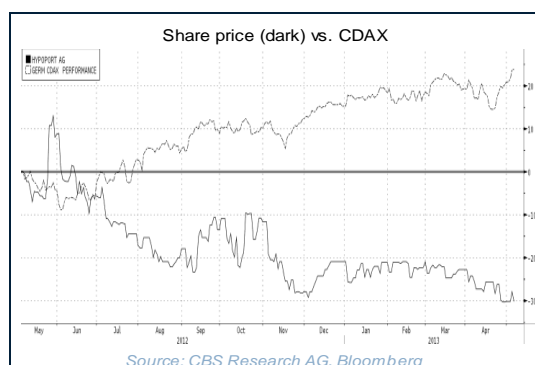
However, to achieve the top-line figures, Hypoport was urged to enhance its efforts immensely in 1Q 2013. As a result EBITDA fell considerably YoY to EUR 1.1m (PY: EUR 2.1m), whereas EBIT even dropped by ~90.0% to EUR 0.1m (PY: EUR 0.9m). The EBIT margin declined from 4.4% to 0.4%. Benefiting from the reversal of deferred taxes, net profit reached previous year's level of EUR 0.5m (PY: EUR 0.5m) or EUR 0.08 on a per share basis.

Since, we assume the economic environment to remain unstable and the central banks to maintain their policy of cheap money in the upcoming periods, historically low interest rates will most likely continue to drag the life insurance and health insurance business as well as the business related to basic investment products. Given the growth track, we anticipate Hypoport's problems of translating its solid top-line performance into operating margins to persist, especially with regard to the Private Clients business. Having cut our group-wide earnings estimates further to allow for the profitability squeeze, we arrive at a new fair value of EUR 10.98 per share. Thus, **we cut our price target from EUR 11.90 to EUR 11.00**. On the back of a ~32% discount to our price target **we confirm our BUY recommendation**.

Key data

Y/E Dec 31, EUR m	2010	2011	2012	2013E	2014E	2015E
Revenues	66.9	84.4	87.8	92.9	98.0	104.1
EBITDA	11.1	11.5	8.1	7.9	9.8	12.0
EBIT	6.4	6.8	3.2	4.1	5.1	6.5
Net result	3.3	3.7	-0.8	2.8	2.9	3.6
Basic EPS	0.53	0.61	-0.13	0.46	0.47	0.58
DPS	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA margin	16.7%	13.6%	9.3%	8.5%	10.0%	11.6%
EBIT margin	9.6%	8.0%	3.6%	4.5%	5.2%	6.2%
EV/EBITDA	5.1	4.9	6.9	7.2	5.8	4.7
EV/EBIT	8.8	8.4	17.6	13.6	11.1	8.7
P/E	14.2	12.5	n.a.	16.6	16.1	13.0

Source: CBS Research AG, Hypoport AG



Change	2013E		2014E		2015E	
EUR m	new	old	new	old	new	old
Revenues	92.9	92.2	98.0	97.4	104.1	103.4
EBIT	4.1	5.8	5.1	6.1	6.5	6.9
EPS	0.46	0.54	0.47	0.57	0.58	0.61

www.hypoport.com
WKN: 549336
Reuters: HYQGn.DE

Sector: Financial Services
ISIN: DE0005493365
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):	7.51
Shares outstanding (m):	6.2
Market capitalisation (EUR m):	46.5
Enterprise value (EUR m):	56.4
Ø daily trading volume (3 m., no. of shares):	648

Performance data:

High 52 weeks (EUR):	12.15
Low 52 weeks (EUR):	7.44
Absolute performance (12 months):	-30.1%
Relative performance vs. CDAX:	
1 month	-11.2%
3 months	-17.1%
6 months	-20.7%
12 months	-43.5%

Shareholders:

Revenia GmbH	34.8%
Kretschmar Familienstiftung	12.9%
Deutsche Postbank AG	9.7%
Sparta AG	5.8%
Free Float	36.8%

Financial calendar:

AGM	June 07, 2013
2Q 13 results	August 05, 2013
3Q 13 results	November 04, 2013

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Appendix

Financials

Profit and loss y/y comparison

	IFRS	EURm	1Q 13	1Q 12	Δ	% change
Revenue			22.1	20.6	1.5	7.2%
Selling expenses			-10.7	-9.1	-1.7	18.4%
% of total revenue			-48.6%	-44.0%		
Gross Profit			11.3	11.5	-0.2	-1.6%
Gross Profit margin in %			51.4%	56.0%		
Own work capitalised			1.0	0.9	0.1	10.0%
% of total revenue			4.7%	4.5%		
Other operating income			0.4	0.3	0.1	53.7%
% of total revenue			1.9%	1.3%		
Cost of materials			0.0	0.0	0.0	n.a.
% of total revenue			0.0%	0.0%		
Personnel expenses			-8.2	-7.5	-0.7	8.7%
% of total revenue			-37.0%	-36.5%		
Other operating expenses			-3.5	-3.1	-0.3	10.1%
% of total revenue			-15.7%	-15.3%		
EBITDA			1.1	2.1	-0.9	-44.5%
EBITDA margin in %			5.2%	10.0%		
Depreciation, amortisation exp. & impairment loss			-1.1	-1.2	0.1	-7.9%
% of total revenue			-4.8%	-5.6%		
EBIT			0.1	0.9	-0.8	-91.4%
EBIT margin in %			0.4%	4.4%		
Financial result			-0.1	-0.3	0.2	-63.2%
% of total revenue			-0.6%	-1.7%		
EBT			0.0	0.6	-0.6	-108.3%
EBT margin in %			-0.2%	2.8%		
Taxes on income & def.			0.5	0.1	0.4	296.0%
% of EBT			-1061.7%	22.2%		
Net profit/loss for the year			0.5	0.5	-0.1	-12.2%
Attributable to non-controlling/minority interest			0.0	0.0	0.0	-100.0%
Attributable to Hypoport AG shareholders			0.5	0.5	0.0	-8.0%
Weighted number of shares , basic in million shares			6.13	6.19	-0.1	-1.0%
Weighted number of shares , diluted in million shares			6.13	6.19	-0.1	-1.0%
EPS Basic			0.08	0.08	0.0	-2.9%
EPS Diluted			0.08	0.08	0.0	-2.9%

Source: CBS Research AG, Hypoport AG

Profit and loss account

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
Revenue			66.9	84.4	87.8	92.9	98.0	104.1
YoY growth			32.6%	26.1%	4.0%	5.9%	5.5%	6.2%
Selling expenses			-26.6	-39.9	-43.0	-45.4	-47.7	-50.1
% of total revenue			-39.8%	-47.3%	-48.4%	-48.9%	-48.6%	-48.1%
Gross Profit			40.3	44.5	44.7	47.5	50.4	54.0
Gross Profit margin in %			60.2%	52.7%	51.0%	51.1%	51.4%	51.9%
Own work capitalised			5.7	3.6	4.2	3.8	4.6	5.0
% of total revenue			8.6%	4.9%	4.8%	4.1%	4.7%	4.8%
Other operating income			1.4	1.8	2.4	1.9	2.1	2.6
% of total revenue			2.0%	2.2%	2.7%	2.0%	2.2%	2.5%
Personnel expenses			-24.6	-26.5	-29.9	-32.5	-33.8	-35.0
% of total revenue			-36.8%	-31.4%	-34.1%	-34.9%	-34.4%	-33.6%
Other operating expenses			-11.6	-11.9	-13.2	-12.9	-13.6	-14.6
% of total revenue			-17.4%	-14.1%	-15.1%	-13.8%	-13.8%	-14.0%
EBITDA			11.1	11.5	8.1	7.9	9.8	12.0
EBITDA margin in %			16.7%	13.6%	9.3%	8.5%	10.0%	11.6%
Depreciation, amortisation exp. & impairment loss			-4.7	-4.7	-4.9	-3.7	-4.7	-5.6
EBIT			6.4	6.8	3.2	4.1	5.1	6.5
EBIT margin in %			9.6%	8.0%	3.6%	4.5%	5.2%	6.2%
Financial result			-1.6	-0.7	-0.9	-0.8	-1.0	-1.0
EBT			4.8	6.0	2.3	3.3	4.1	5.5
EBT margin in %			7.2%	7.1%	2.7%	3.6%	4.2%	5.3%
Taxes on income & def.			-1.6	-1.6	-0.4	-0.5	-1.2	-1.9
% of EBT			-32.4%	-25.8%	-16.9%	-15.4%	-30.0%	-34.8%
Profit/loss from continuing operations, net of tax			3.3	4.5	1.9	2.8	2.9	3.6
as % of total revenue			4.9%	5.3%	2.2%	3.0%	2.9%	3.4%
Profit/loss from discontinued operations			0.0	-0.7	-2.8	0.0	0.0	0.0
Net profit/loss for the year			3.3	3.7	-0.8	2.8	2.9	3.6
Net profit margin in %			4.9%	4.4%	-0.9%	3.0%	2.9%	3.4%
Attributable to non-controlling/minority interest			0.0	0.0	0.0	0.0	0.0	0.0
Attributable to Hypoport AG shareholders			3.3	3.8	-0.8	2.8	2.9	3.6
Weighted number of shares, basic in million shares			6.15	6.19	6.19	6.13	6.13	6.13
Weighted number of shares, diluted in million shares			6.18	6.19	6.19	6.13	6.13	6.13
EPS Basic			0.53	0.61	-0.13	0.46	0.47	0.58
EPS Diluted			0.53	0.61	-0.13	0.46	0.47	0.58

Source: CBS Research AG, Hypoport AG

Balance Sheet

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
Assets								
Total non-current assets			37.0	35.0	35.5	37.2	37.5	36.5
as % of total assets			55.1%	48.6%	50.1%	50.0%	48.0%	44.1%
Intangible assets			27.8	27.9	27.7	29.0	29.0	28.0
Tangible Assets; PPE			2.4	2.5	2.6	2.8	2.7	2.5
Financial assets			0.5	1.0	0.1	0.1	0.1	0.1
Trade receivables			5.0	2.5	4.6	4.9	5.2	5.5
Deferred tax assets			1.3	1.2	0.4	0.4	0.4	0.4
Other assets			0.0	0.0	0.0	0.0	0.0	0.0
Current assets			30.1	37.1	35.3	37.2	40.6	46.2
as % of total assets			44.9%	51.4%	49.9%	50.0%	52.0%	55.9%
Trade receivables			15.5	25.1	21.1	22.3	23.6	25.0
Other assets			3.0	3.9	4.7	4.7	4.7	4.7
Current income tax assets			0.4	0.6	1.0	1.0	1.0	1.0
Cash & cash equivalents			11.2	7.5	8.6	9.2	11.4	15.5
Total assets			67.2	72.1	70.7	74.4	78.1	82.6
Total Shareholder's Equity & Liabilities								
Total shareholders equity			27.4	31.3	29.8	32.7	35.5	39.1
as % of total equity and liabilities			40.8%	43.3%	42.2%	43.9%	45.5%	47.3%
Subscribed capital			6.2	6.2	6.2	6.2	6.2	6.2
Reserves			21.0	24.9	23.5	26.3	29.2	32.8
Treasury shares			0.0	0.0	-0.1	-0.1	-0.1	-0.1
Minority interests			0.2	0.2	0.2	0.2	0.2	0.2
Non-current liabilities			20.6	10.3	14.8	14.8	14.8	14.8
as % of total equity and liabilities			30.6%	14.3%	21.0%	19.9%	19.0%	17.9%
Financial liabilities			17.9	7.8	12.9	12.9	12.9	12.9
Provisions			0.4	0.3	0.2	0.2	0.2	0.2
Other liabilities			0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities			2.2	2.2	1.6	1.6	1.6	1.6
Current liabilities			19.2	30.6	26.1	26.9	27.7	28.7
as % of total equity and liabilities			28.6%	42.4%	36.9%	36.2%	35.5%	34.7%
Provisions			0.2	0.3	0.1	0.1	0.1	0.1
Financial liabilities			2.7	10.9	5.4	5.4	5.4	5.4
Trade payables			9.6	12.2	14.1	14.9	15.7	16.7
Current income tax liabilities			0.1	0.9	0.1	0.1	0.1	0.1
Other liabilities			6.6	6.3	6.4	6.4	6.4	6.4
Total liabilities			39.8	40.9	40.9	41.7	42.5	43.5
as % of total equity and liabilities			59.2%	56.7%	57.8%	56.1%	54.5%	52.7%
Total liabilities			67.2	72.1	70.7	74.4	78.1	82.6

Source: CBS Research AG, Hypoport AG

Cash flow statement

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
Earnings before interest and tax (EBIT)			6.4	5.9	1.2	4.1	5.1	6.5
from continuing operations			6.4	6.8	3.2	4.1	5.1	6.5
from discontinued operations			0.0	-0.8	-2.0	0.0	0.0	0.0
Non-cash income (+) / expense (-) from income tax			-1.5	-0.6	0.3	0.0	0.0	0.0
Net Interest received (+) / paid (-)			-1.2	-1.0	-0.8	-0.8	-1.0	-1.0
Net income taxes receipts (+) / payments (-)			-0.4	-0.4	-0.7	-0.5	-1.2	-1.9
Depreciation and amortisation expense, impairment losses (+) / reversals of impairment			4.7	5.2	6.5	3.7	4.7	5.6
Gains (-) / losses (+) on the disposal of non-current assets			0.0	0.0	0.0	0.0	0.0	0.0
Cash flow			8.0	9.1	6.5	6.5	7.6	9.1
Increase (+) / decrease (-) in current provisions			0.1	0.1	-0.2	0.0	0.0	0.0
Increase (-) and decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities			-5.4	-8.1	1.6	-1.5	-1.5	-1.8
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities			7.4	3.6	-0.1	0.8	0.8	1.0
Cash flows from operating activities			10.0	4.7	7.8	5.9	6.9	8.3
from discontinued operations			0.0	0.0	0.1	0.0	0.0	0.0
Proceeds from the disposal of property, plant and equipment / intangible assets (+)			0.0	0.0	0.0	0.0	0.0	0.0
Payments to acquire property, plant and equipment / intangible assets (-)			-7.6	-5.3	-6.5	-5.2	-4.7	-4.2
Payments for acquisitions to be consolidated			0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from the disposal of financial assets (+)			0.4	0.1	0.1	0.0	0.0	0.0
Purchase of financial assets (-)			-0.4	-0.6	0.0	0.0	0.0	0.0
Cash flows from investing activities			-7.7	-5.7	-6.5	-5.2	-4.7	-4.2
from discontinued operations			0.0	0.0	-0.3	0.0	0.0	0.0
Proceeds from additions to equity (+)			0.2	0.0	0.0	0.0	0.0	0.0
Payments to shareholders and minority interest (-)			0.0	0.0	-0.6	0.0	0.0	0.0
Net issue (+) / redemption of bonds and loans			1.5	-2.6	0.4	0.0	0.0	0.0
Cash flows from financing activities			1.7	-2.6	-0.3	0.0	0.0	0.0
from discontinued operations			0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash and cash equivalents			4.0	-3.7	1.0	0.6	2.2	4.1
Cash and cash equivalents at the beginning of the period			7.2	11.2	7.5	8.6	9.2	11.4
Cash and cash equivalents at the end of the period			11.2	7.5	8.6	9.2	11.4	15.5
from discontinued operations			0.0	0.0	0.0	0.0	0.0	0.0

Source: CBS Research AG, Hypoport AG

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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 12 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 analyzed in this report:

Date	Recommendation	Price at change date	Price target
07 May 2012	BUY (Update)	EUR 10.88	EUR 17.00
06 August 2012	BUY (Update)	EUR 9.10	EUR 15.00
05 November 2012	BUY (Update)	EUR 8.73	EUR 13.20
12 March 2013	BUY (Update)	EUR 8.42	EUR 11.90

06 May 2013	BUY (Update)	EUR 7.51	EUR 11.00
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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 12 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

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

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