



Hypoport AG

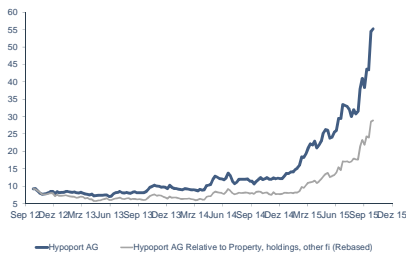
Buy → | Target 64.00 EUR vs 57.00 EUR ↗

Price : 55.25 EUR | Upside : 16 %

Est.chg	2015e	2016e
EPS	11.3%	12.2%

Scalability potential of business still not fully exploited; PT raised to € 64.00

Monday 02 November 2015



Capital			
HYQ GY HYQGn.DE			
Market Cap (EURm)			339
Enterprise value (EURm)			334
Extrema 12 months	11.90		55.33
Free Float (%)			37.6
Performance (%)			
	1m	3m	12m
Absolute	43.5	65.2	368.2
Perf. rel. "sector"	32.9	74.3	312.4
Perf. rel. Property, holding	30.5	67.9	255.2
P&L			
	12/15e	12/16e	12/17e
Sales (EURm)	138	160	183
EBITDA (EURm)	25.7	30.7	35.9
Current EBIT (EURm)	20.5	24.5	28.8
Attr. net profit (EURm)	16.3	19.4	22.8
Adjusted EPS (EUR)	2.65	3.16	3.71
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	20.9	17.5	14.9
P/B (x)	6.2	4.6	3.5
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	3.0	3.9	5.4
EV/Sales (x)	2.42	2.00	1.65
EV/EBITDA (x)	13.0	10.4	8.4
EV/Current EBIT (x)	16.3	13.1	10.5
Gearing (%)	-12	-26	-39
Net Debt/EBITDA(x)	ns	ns	ns

Next Events	
02.11.2015	Q3 Results
29.03.2016	Q4 Results
02.05.2016	Q1 Results
01.08.2016	Q2 Results

Final results confirm strong prelims. – well above expectations

Hypoport AG disclosed its Q3/9M 2015 results, which confirm the strong preliminaries: Consolidated revenues of € 35.5m/€ 103.1m were up +27.1%/+26.8% yoy; EBIT rose an even more impressive +145.1%/+224.6% to € 5.6m/€ 147m. Accordingly, Q3/9M EBIT margins improved by 959/688bp yoy to 15.8%/14.3%. Q3 2015 EPS, at € 0.73 (PY: € 0.21; PQ: € 0.70) was 14.8% above our estimate of € 0.64 and topped the Q2 level as well, which had been the strongest quarterly performance in the company's history. Backed by the strong business momentum ytd, Hypoport confirmed its full-year guidance (2-digit revenue growth + margin improvement leading to stronger-than-sales EPS growth).

Q3 2015 results vs. estimates

IFRS	Q3 '15	Q2 '15	qoq	Q3 '14	yoy	Q3 '15e	delta
Revenues	35.5	34.2	3.7%	28.0	27.1%	33.4	6.3%
EBIT	5.6	5.3	6.2%	1.7	224.3%	4.9	14.3%
Net income	4.4	4.3	1.9%	1.3	236.4%	3.9	12.8%
EPS	0.73	0.70	3.7%	0.21	242.3%	0.64	14.8%

Source : Company data, Oddo Seydler Bank AG

Once again, all business segments support top-line and margin growth

All business segments posted positive yoy top-line growth in Q3 and 9M 2015: **Private Clients (PC):** +24.0% to € 20.4m in Q3 2015 (9M 2015: € 59.6m vs. 9M 2014: € 48.1m), **Financial Services Providers (FSP):** +33.3% to € 10.7m in Q3 2015 (9M 2015: € 30.8m vs. 9M 2014: € 22.7m), **Institutional Clients (IC):** +29.5% to € 4.4m in Q3 2015 (9M 2015: € 12.5m vs. 9M 2014: € 10.2m). The corresponding **segmental Q3/9M EBIT contributions** were as follows: **PC:** € 2.7m/€ 6.2m (+246.4%/+282.0% yoy), **FSP:** € 2.6m/€ 7.7m (+92.3%/+75.7% yoy) and **IC:** € 1.9m/€ 4.8m (+91.5%/+54.2% yoy), matched by **Q3/9M EBIT margins** of 13.0%/10.4% (PY: 3.7%/3.4%), 24.4%/25.0% (PY: 16.9%/19.3%) and 42.5%/38.1% (PY: 26.4%/30.3%), respectively.

We look for EBIT margins of 15% and above in 2015-17e

Given i) the ongoing market share expansion of the FSP segment (currently ~15%), and ii) tailwind from the revitalised mortgage market with new lending volumes in Germany having picked up by almost 30% yoy, which is certainly driving brokerage ytd volumes (+ 45%) in the PC segment – we are convinced that Hypoport can deliver double-digit top-line growth in 2015-17e. Considering the ytd performance in terms of margin improvement, we believe the company can sustainably elevate its consolidated EBIT margin from the single-digits to 15% and above. In particular, the company's massive investments in process automation in the insurance business of Dr. Klein have lifted the struggling PC segment back into the profit zone with consistently rising margins and EBIT contributions ytd. However, the potential in this respect is still not fully exploited as Dr. Klein is equipped to handle a constant expansion of the insurance portfolio without staff additions.

Reiterate Buy, PT raised to € 64.00

Accordingly, we lift our earnings estimates for 2015-16e by 11% and 12% resp., arriving at a FVpS of €63.98 (peer group, DCF). We raise our PT from €57.00 to €64.00, which implies a forward P/E of 24.2x 2015e and 20.3x 2016e. We reiterate our Buy recommendation as the scalability potential of Hypoport's business model has yet to be fully exploited.

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Valuation

Peer Group: Multiples

Company name	EV / Sales			EV / EBITDA			EV / EBIT			P / E		
	2015e	2016e	2017e	2015e	2016e	2017e	2015e	2016e	2017e	2015e	2016e	2017e
MONEYSUPERMARKET.COM	6.5	6.1	5.7	16.5	15.4	14.3	19.6	18.1	17.4	24.2	22.6	20.7
OVH HOLDING AG	0.9	0.8	0.8	11.1	10.4	9.6	14.1	13.0	11.8	24.8	22.6	20.8
MLP AG	2.5	2.3	2.3	29.1	26.2	24.6	35.4	30.3	27.8	14.4	12.2	11.6
JDC GROUP AG	0.4	0.3	0.3	11.4	6.1	4.6	25.6	8.5	5.8	159.5	14.5	9.1
Average	2.6	2.4	2.3	17.0	14.5	13.3	23.6	17.5	15.7	55.7	18.0	15.6
Median	1.7	1.6	1.5	14.0	12.9	11.9	22.6	15.5	14.6	24.5	18.6	16.2

EURm, except EPS (EUR)	Sales			EBITDA			EBIT			EPS		
	2015e	2016e	2017e	2015e	2016e	2017e	2015e	2016e	2017e	2015e	2016e	2017e
Hypoport AG: Financial estimates Oddo Seydler Bank AG	138.1	160.3	183.1	25.7	30.7	35.9	20.5	24.5	28.8	2.65	3.16	3.71
Applied multiples: Peer group median	1.7	1.6	1.5	14.0	12.9	11.9	22.6	15.5	14.6	24.5	18.6	16.2
Enterprise value (derived)	234.3	253.9	281.2	359.1	395.3	428.3	463.4	380.8	420.2	-	-	-
+ Excess cash and marketable securities	11.1											
- Financial debt	-12.5											
- Minority interest (estimated market value)	-0.2											
Market capitalization (derived)	232.9	252.5	279.8	357.7	393.9	426.9	462.0	379.5	418.8	398.4	360.6	368.8
Median	374.1											
Premium (discount) vs. Peer Group	0%											
Fair market capitalization (after discount)	374.1											
Number of shares (m)	6.138											
Fair value per share (EUR)	60.96											

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	∞
Sales	138.1	160.3	183.1	201.4	221.2	242.4	265.2	289.7	315.9	322.2	
YoY growth	22.9%	16.1%	14.2%	10.0%	9.8%	9.6%	9.4%	9.2%	9.0%	2.0%	
EBIT	20.5	24.5	28.8	32.2	35.6	39.2	43.1	47.3	51.8	53.1	
EBIT margin	14.9%	15.3%	15.7%	16.0%	16.1%	16.2%	16.2%	16.3%	16.4%	16.5%	
Income tax on EBIT (cash tax rate)	-6.2	-7.4	-8.6	-9.7	-10.7	-11.8	-12.9	-14.2	-15.5	-15.9	
Depreciation and amortisation	5.2	6.2	7.1	6.3	7.2	5.2	5.7	6.0	6.6	6.8	
Change in net working capital	-4.8	-7.8	-7.4	-3.6	-3.9	-4.2	-4.5	-4.8	-5.2	-1.2	
Net capital expenditure	-6.5	-4.5	-4.1	-4.9	-5.4	-5.9	-6.5	-7.2	-7.5	-6.8	
Free cash flow	8.3	11.1	15.8	20.3	22.8	22.5	24.8	27.1	30.1	35.9	
Present values	8.2	10.0	13.2	15.7	16.1	14.7	14.9	15.0	15.3	16.8	272.8
Present value Phase 1	31.5										
Present value Phase 2	108.5										
Present value Phase 3	272.8										
Total present value	412.8										
+ Excess cash	11.1										
- Financial debt	-12.5										
- Minority interest (estimated market value)	-0.2										
Fair value of equity	411.2										
Number of shares (m)	6.138										
Fair value per share (EUR)	67.00										

Risk free rate	2.50%	Target equity ratio	65.0%
Equity risk premium	6.00%	Beta (fundamental)	1.30
Debt risk premium	4.00%	WACC	8.29%
Tax shield	30.0%	Terminal growth	2.0%

Sensitivity analysis

		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.3%	71.98	76.41	81.67	88.04	95.89
	7.8%	65.82	69.44	73.69	78.74	84.85
	8.3%	60.52	63.52	67.00	71.07	75.92
	8.8%	55.92	58.43	61.31	64.64	68.56
	9.3%	51.89	54.01	56.42	59.18	62.38

Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
Peer group valuation	50.0%	60.96
DCF valuation	50.0%	67.00
Fair value per share (EUR)		63.98

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Financial Services | Germany

	Buy				Price	55.25EUR		
	Upside	15.84%			TP	64.00EUR		
PER SHARE DATA (EUR)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Adjusted EPS	0.53	0.60	-0.13	0.51	0.96	2.65	3.16	3.71
Reported EPS	0.53	0.60	-0.13	0.51	0.96	2.65	3.16	3.71
Growth in EPS(%)	ns	13.2%	ns	ns	88.0%	ns	19.4%	17.4%
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	0.39	-0.10	0.20	0.67	0.37	1.67	2.17	3.01
Book value per share	4.43	5.01	4.81	5.34	6.29	8.94	12.10	15.81
Number of shares market cap	6.15	6.19	6.16	6.14	6.14	6.14	6.14	6.14
Number of diluted shares	6.18	6.19	6.16	6.14	6.14	6.14	6.14	6.14
VALUATION	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
12m highest price	9.90	11.95	12.15	10.46	13.78	55.33		
12m lowest price	5.90	6.95	6.95	7.03	8.67	12.16		
(*) Reference price	7.88	9.42	8.94	8.27	11.01	55.25	55.25	55.25
Capitalization	48	58	55	51	68	339	339	339
Restated Net debt	9.4	11	9.7	5.9	3.9	-6.3	-19.7	-38.1
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	2.6	2.5	1.9	0.5	1.0	1.0	1.0	1.0
Enterprise Value	60	72	67	57	72	334	320	302
P/E (x)	15	16	ns	16	11	21	17	15
P/CF (x)	6.1	6.4	59	5.2	4.4	10.0	11	11
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	5.0%	ns	2.3%	8.1%	3.3%	3.0%	3.9%	5.4%
P/B incl. GW (x)	1.78	1.88	1.86	1.55	1.75	6.18	4.57	3.49
P/B excl. GW (x)	1.78	1.88	1.86	1.55	1.75	6.18	4.57	3.49
EV/Sales (x)	0.90	0.85	0.76	0.58	0.65	2.42	2.00	1.65
EV/EBITDA (x)	5.4	6.3	8.2	7.0	5.7	13	10	8.4
EV/EBIT (x)	9.4	11	21	14	9.1	16	13	11
(*) historical average price								
PROFIT AND LOSS (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales	67	84	88	98	112	138	160	183
EBITDA	11	11	8.1	8.1	13	26	31	36
Depreciations	-4.7	-4.7	-4.9	-4.2	-4.8	-5.2	-6.2	-7.1
Current EBIT	6.4	6.8	3.2	3.9	7.9	21	25	29
Published EBIT	6.4	6.8	3.2	3.9	7.9	21	25	29
Net financial income	-1.6	-0.7	-0.9	-0.9	-0.7	-0.5	-0.5	-0.6
Corporate Tax	-1.6	-1.6	-0.4	0.1	-1.3	-3.8	-4.6	-5.3
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	-0.7	-2.8	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	3.3	3.7	-0.8	3.1	5.9	16	19	23
Adjusted attributable net profit	3.3	3.7	-0.8	3.1	5.9	16	19	23
BALANCE SHEET (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	28	28	28	30	31	32	30	28
Tangible fixed assets	2.4	2.5	2.6	2.2	2.2	2.6	2.5	2.3
WCR	7.4	12	11	6.9	9.0	14	21	29
Financial assets	1.8	2.2	0.5	0.8	1.6	1.6	1.6	1.6
Ordinary shareholders equity	27	31	30	33	39	55	74	97
Minority interests	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Shareholders equity	27	31	30	33	39	55	75	97
Non-current provisions	2.6	2.5	1.9	0.5	1.0	1.0	1.0	1.0
Net debt	9.4	11	9.7	5.9	3.9	-6.3	-19.7	-38.1
CASH FLOW STATEMENT (EURm)	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
EBITDA	11.1	11.5	8.1	8.1	12.7	25.7	30.7	35.9
Change in WCR	2.0	-4.4	1.2	3.7	-3.0	-4.8	-7.8	-7.4
Interests & taxes	-1.6	-1.4	-1.5	-1.5	-1.3	-4.3	-5.1	-6.0
Others	-1.5	-1.0	-0.1	-0.5	0.0	0.0	0.0	0.0
Operating Cash flow	10.0	4.7	7.8	9.9	8.4	16.7	17.9	22.5
CAPEX	-7.6	-5.3	-6.5	-5.7	-6.2	-6.5	-4.5	-4.1
Free cash-flow	2.4	-0.6	1.2	4.1	2.2	10.2	13.3	18.5
Acquisitions / disposals	-0.1	-0.5	0.1	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	0.0	0.0	-0.6	0.0	0.0	0.0	0.0	0.0
Others	1.7	-2.6	0.4	-1.4	-1.2	-1.1	-1.1	-1.1
Change in net debt	2.5	-1.1	0.7	4.2	1.9	10.2	13.3	18.5
GROWTH MARGINS PRODUCTIVITY	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Sales growth	32.6%	26.1%	4.0%	11.8%	14.5%	22.9%	16.1%	14.2%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	ns	5.1%	-52.7%	23.5%	ns	ns	19.4%	17.3%
Growth in EPS(%)	ns	13.2%	ns	ns	88.0%	ns	19.4%	17.4%
Net margin	4.9%	4.4%	-0.9%	3.2%	5.3%	11.8%	12.1%	12.5%
EBITDA margin	16.7%	13.6%	9.3%	8.3%	11.3%	18.6%	19.2%	19.6%
Current EBIT margin	9.6%	8.0%	3.6%	4.0%	7.1%	14.9%	15.3%	15.7%
CAPEX / Sales	-11.3%	-6.2%	-7.4%	-5.8%	-5.5%	-4.7%	-2.8%	-2.2%
WCR / Sales	11.1%	14.7%	12.2%	7.0%	8.0%	9.9%	13.4%	15.7%
Tax Rate	32.4%	25.8%	16.9%	-3.3%	18.2%	19.0%	19.0%	19.0%
Normative tax rate	-32.4%	-23.8%	-53.2%	-31.1%	-20.1%	-28.3%	-30.3%	-25.8%
Asset Turnover	1.8	2.1	2.1	2.5	2.8	3.1	3.1	3.2
ROCE post-tax (normative tax rate)	23.5%	20.8%	11.7%	13.0%	23.6%	58.4%	62.4%	64.1%
ROCE post-tax hors GW (normative tax rate)	23.5%	20.8%	11.7%	13.0%	23.6%	58.4%	62.4%	64.1%
ROE	12.9%	12.8%	-2.7%	10.1%	16.6%	34.8%	30.1%	26.6%
DEBT RATIOS	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
Gearing	34%	36%	33%	18%	10%	-12%	-26%	-39%
Net Debt / Market Cap	0.19	0.19	0.18	0.12	0.06	-0.02	-0.06	-0.11
Net debt / EBITDA	0.84	0.97	1.20	0.72	0.31	ns	ns	ns
EBITDA / net financial charges	ns	ns	ns	ns	ns	ns	ns	ns

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)
02.11.15	Buy	64.00	55.25
21.10.15	Buy	57.00	49.99
22.07.15	Buy	41.00	32.09
04.05.15	Buy	26.00	21.32
17.03.15	Buy	21.00	18.04
04.08.14	Buy	17.00	12.10

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