



Hypoport AG

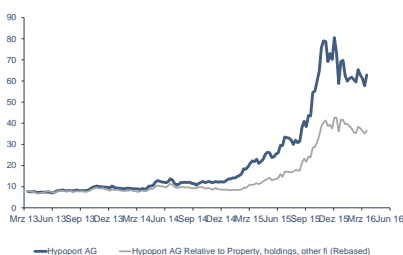
Buy → | Target 74.00 EUR

Price : 62.84 EUR | Upside : 18 %

Est.chg	2016e	2017e
EPS	1.3%	2.9%

Record EBIT (prelim.) despite Mortgage Credit Directive; TP € 74, Buy

Monday 18 April 2016



Capital

HYQ GY HYQGn.DE	
Market Cap (EURm)	384
Enterprise value (EURm)	357
Extrema 12 months	21.00 - 80.50
Free Float (%)	ns

Performance (%)	1m	3m	12m
Absolute	-4.5	6.9	182.4
Perf. rel. Country Index	-5.1	2.8	239.2
Perf. rel. Property, holding	-6.4	1.3	226.4

P&L	12/16e	12/17e	12/18e
Sales (EURm)	155	173	192
EBITDA (EURm)	31.2	35.5	39.5
Adj. EBIT (EURm)	24.7	28.1	32.0
Attr. net profit (EURm)	19.6	22.3	25.4
Adjusted EPS (EUR)	3.27	3.78	4.39
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	19.2	16.6	14.3
P/B (x)	5.2	3.9	3.0
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	2.4	5.2	5.7
EV/Sales (x)	2.30	1.91	1.58
EV/EBITDA (x)	11.4	9.3	7.7
EV/Current EBIT (x)	14.4	11.8	9.5
Gearing (%)	-31	-44	-52
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

02.05.2016	Q1 Results
01.08.2016	Q2 Results
31.10.2016	Q3 Results

Another strong quarter – prelim. EBIT of at least € 5.4m, +40% yoy

Hypoport recently announced its Q1 2016 preliminary figures. Despite regulatory headwinds dampening the overall new mortgage business in Germany, Hypoport delivered strong figures matching Q2/Q3 2015 levels with preliminary sales of € ~35m (+5.1% yoy) and prelim. EBIT of at least € 5.4m. This implies a sales-based EBIT margin of 15.4% (Q1 2015: 11.4%) and EBIT growth of >40% yoy (Q1 2015: € 3.8m). The final Q1 2016 figures are due on 2 May 2016.

Financial Service Providers segment: volumes brokered off -6.3% yoy

EUROPACE's total brokered volume declined -6.3% yoy (Q1 2015: € 11.1bn) and -4.6% qoq to € 10.4bn. With a market share of ~15%, mortgage finance is Hypoport's highest-volume business (€ 8.1bn) and so far has been the fastest-growing product type on EUROPACE. However, brokered volumes in mortgage finance were down 8% yoy, while personal loans were up 33% yoy to € 0.6bn. Building society savings also declined 6% yoy to € 1.7bn.

Mortgage Credit Directive constrained mortgage finance segment in Q1

In Q1 the mortgage-finance product segment was dampened by the introduction of the Mortgage Credit Directive (MCD) on 21 March 2016, which required product suppliers and distributors to make extensive changes to their processes. As a result of the need to switch systems, some suppliers have temporarily withdrawn from the market altogether, which has naturally had an adverse impact on the number of transactions. The Bundesbank's statistics show that new business volumes in the German mortgage market were stagnant in Jan-Feb (€ 37.3bn; +1% yoy) even though the number of new residential housing projects reaching the final stages of completion is rising, which requires additional funding. We believe Hypoport is well equipped to exploit (post MCD implementation) the tailwinds from the mortgage market (i.e. a huge undersupply of new dwellings in German metropolitan areas combined with historically low mortgage rates), which we expect to persist in the mid-term.

Preliminary figures support our fundamental view on the company

The preliminaries support our fundamental view on the company. We are confident Hypoport AG can deliver a double-digit revenue CAGR for 2016-18e of 11.3% backed by i) ongoing market share gains in individual business segments, ii) sustainably strong demand for additional housing space in congested areas across Germany, and iii) the introduction of the BauFiSmart front end, which considerably enhances the productivity of EUROPACE's partners' mortgage finance advice. Its highly scalable business model should also allow for further improvement of the consolidated EBIT margin to 16.3% (2016-18e avg.).

Confirm Buy and TP of € 74.00; upside 18%

We have slightly adjusted our depreciation and amortization assumptions for the forecast period and also reduced our shares outstanding (repurchase programme). As a result, our EPS estimates in 2016-18e are now marginally higher. As the valuation impact of our adjustments is negligible, we confirm our TP of € 74.00 (upside: +18%) and maintain our Buy recommendation on the stock. Note that the selling pressure attributable to Postbank on top of the overall weak market environment certainly had an unfavourable impact on the stock. However, we believe the current share price level represents a cheap buying opportunity given the company's sustained margin improvement. Our TP implies forward P/Es of 22.9x and 20.1x for 2016e and 2017e respectively, which are above the aggregate peer medians of 21.7x and 16.3x, but still below those of Wirecard, Ferratum or Fintech Group.

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Financial Services | Germany

Buy

Price 62.84EUR

Upside 17.76%

TP 74.00EUR

	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
PER SHARE DATA (EUR)								
Adjusted EPS	0.60	-0.13	0.51	0.97	2.63	3.27	3.78	4.39
Reported EPS	0.60	-0.13	0.51	0.97	2.63	3.27	3.78	4.39
Growth in EPS(%)	13.2%	ns	ns	88.6%	ns	24.4%	15.8%	15.9%
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	-0.10	0.20	0.67	0.37	3.24	1.51	3.27	3.58
Book value per share	5.01	4.81	5.34	6.31	8.68	12.00	15.99	20.65
Number of shares market cap	6.19	6.16	6.14	6.12	6.04	6.00	5.90	5.80
Number of diluted shares	6.19	6.16	6.14	6.12	6.04	6.00	5.90	5.80
VALUATION								
12m highest price	11.95	12.15	10.46	13.78	80.50	78.35		
12m lowest price	6.95	6.95	7.03	8.67	12.16	53.59		
(*) Reference price	9.42	8.94	8.27	11.01	33.28	62.84	62.84	62.84
Capitalization	58	55	51	67	201	377	371	364
Restated Net debt	11	9.7	5.9	3.9	-13.5	-22.5	-41.8	-61.6
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	1.0
Provisions	2.5	1.9	0.5	1.0	2.1	2.1	2.1	1.1
Enterprise Value	72	67	57	72	190	357	331	303
P/E (x)	16	ns	16	11	13	19	17	14
P/CF (x)	6.4	59	5.2	4.4	5.7	12	12	11
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	ns	2.3%	8.1%	3.3%	9.7%	2.4%	5.2%	5.7%
P/B incl. GW (x)	1.88	1.86	1.55	1.74	3.84	5.24	3.93	3.04
P/B excl. GW (x)	1.88	1.86	1.55	1.74	3.84	5.24	3.93	3.04
EV/Sales (x)	0.85	0.76	0.58	0.64	1.36	2.30	1.91	1.58
EV/EBITDA (x)	6.3	8.2	7.0	5.7	7.6	11	9.3	7.7
EV/EBIT (x)	11	21	14	9.1	9.8	14	12	9.5
(*) historical average price								
PROFIT AND LOSS (EURm)								
Sales	84	88	98	112	139	155	173	192
EBITDA	11.5	8.1	8.1	12.7	25.1	31.2	35.5	39.5
Depreciations	-4.7	-4.9	-4.2	-4.8	-5.8	-6.4	-7.4	-7.4
Adj. EBIT	6.8	3.2	3.9	7.9	19.3	24.7	28.1	32.0
Published EBIT	6.8	3.2	3.9	7.9	19.3	24.7	28.1	32.0
Net financial income	-0.7	-0.9	-0.9	-0.7	-0.1	-0.5	-0.6	-0.6
Corporate Tax	-1.6	-0.4	0.1	-1.3	-3.2	-4.6	-5.2	-6.0
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)	-0.7	-2.8	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	3.7	-0.8	3.1	5.9	15.9	19.6	22.3	25.4
Adjusted attributable net profit	3.7	-0.8	3.1	5.9	15.9	19.6	22.3	25.4
BALANCE SHEET (EURm)								
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	28	28	30	31	32	30	27	25
Tangible fixed assets	2.5	2.6	2.2	2.2	2.6	2.6	2.3	2.0
WCR	12	11	6.9	9.0	4.9	17	24	38
Financial assets	2.2	0.5	0.8	1.6	1.9	1.9	1.9	1.9
Ordinary shareholders equity	31	30	33	39	52	72	94	120
Minority interests	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Shareholders equity	31	30	33	39	53	72	95	120
Non-current provisions	2.5	1.9	0.5	1.0	2.1	2.1	2.1	2.1
Net debt	11	9.7	5.9	3.9	-13.5	-22.5	-41.8	-62.6
CASH FLOW STATEMENT (EURm)								
EBITDA	11.5	8.1	8.1	12.7	25.1	31.2	35.5	39.5
Change in WCR	-4.4	1.2	3.7	-3.0	2.9	-12.5	-6.4	-7.2
Interests & taxes	-1.4	-1.5	-1.5	-1.3	-2.9	-5.1	-5.8	-6.6
Others	-1.0	-0.1	-0.5	0.0	1.6	0.0	0.0	0.0
Operating Cash flow	4.7	7.8	9.9	8.4	26.7	13.6	23.4	25.6
CAPEX	-5.3	-6.5	-5.7	-6.2	-7.1	-4.5	-4.1	-4.9
Free cash-flow	-0.6	1.2	4.1	2.2	19.6	9.0	19.3	20.8
Acquisitions / disposals	-0.5	0.1	0.0	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	-0.6	0.0	0.0	-2.3	0.0	0.0	0.0
Others	-2.6	0.4	-1.4	-1.2	-4.6	-1.1	-1.1	-1.1
Change in net debt	-1.1	0.7	4.2	1.9	17.3	9.0	19.3	20.8
GROWTH MARGINS PRODUCTIVITY								
Sales growth	26.1%	4.0%	11.8%	14.5%	23.7%	11.8%	11.5%	10.8%
Lfi sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	5.1%	-52.7%	23.5%	ns	ns	28.4%	13.8%	13.9%
Growth in EPS(%)	13.2%	ns	ns	88.6%	ns	24.4%	15.8%	15.9%
Net margin	4.4%	-0.9%	3.2%	5.3%	11.4%	12.6%	12.9%	13.3%
EBITDA margin	13.6%	9.3%	8.3%	11.3%	18.0%	20.1%	20.5%	20.6%
Current EBIT margin	8.0%	3.6%	4.0%	7.1%	13.9%	15.9%	16.3%	16.7%
CAPEX / Sales	-6.2%	-7.4%	-5.8%	-5.5%	-5.1%	-2.9%	-2.4%	-2.6%
WCR / Sales	14.7%	12.2%	7.0%	8.0%	3.5%	11.2%	13.7%	19.8%
Tax Rate	25.8%	16.9%	-3.3%	18.2%	16.9%	19.0%	19.0%	19.0%
Normative tax rate	-23.8%	-53.2%	-31.1%	-20.1%	-28.3%	-30.3%	-25.8%	22.2%
Asset Turnover	2.1	2.1	2.5	2.8	3.4	3.5	3.4	3.3
ROCE post-tax (normative tax rate)	20.8%	11.7%	13.0%	23.6%	60.6%	72.1%	68.8%	42.4%
ROCE post-tax hors GW (normative tax rate)	20.8%	11.7%	13.0%	23.6%	60.6%	72.1%	68.8%	42.4%
ROE	12.8%	-2.7%	10.1%	16.6%	34.9%	31.5%	26.8%	23.8%
DEBT RATIOS								
Gearing	36%	33%	18%	10%	-26%	-31%	-44%	-52%
Net Debt / Market Cap	0.19	0.18	0.12	0.06	-0.07	-0.06	-0.11	-0.17
Net debt / EBITDA	0.97	1.20	0.72	0.31	ns	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)
22.03.16	Buy	74.00	64.84
23.02.16	Buy	72.00	59.58
11.01.16	Neutral	77.00	73.68
02.11.15	Buy	64.00	56.00
21.10.15	Buy	57.00	49.99
22.07.15	Buy	41.00	32.09
04.05.15	Buy	26.00	21.32

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