



# Hypoport AG

Buy → | Target 102.00 EUR

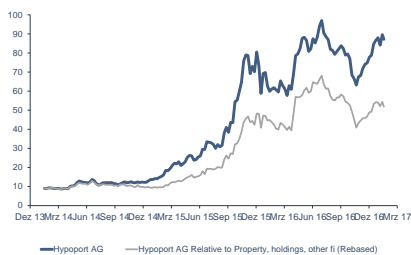
Price (15/02/2017) : 87.15 EUR | Upside : 17 %

Est.chg	2016e	2017e
EPS	-	-

## Feedback from 11<sup>th</sup> Oddo German conference

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—Hypoport AG —Hypoport AG Relative to Property, holdings, other FI (Rebased)

### Capital

HYQ GY   HYQGn.DE	
Market Cap (EURm)	535
Enterprise value (EURm)	494
Extrema 12 months	57.50 - 97.00
Free Float (%)	56.1

Performance (%)	1m	3m	12m
Absolute	2.9	29.1	37.5
Perf. rel. Country Index	1.4	17.9	19.1
Perf. rel. Property, holding	-1.5	18.6	16.0

P&L	12/16e	12/17e	12/18e
Sales (EURm)	155	173	190
EBITDA (EURm)	30.6	34.5	38.5
Current EBIT (EURm)	25.0	28.4	31.8
Attr. net profit (EURm)	20.0	23.2	26.1
Adjusted EPS (EUR)	3.25	3.79	4.26
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	23.1	23.0	20.5
P/B (x)	6.4	5.6	4.4
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	2.0	3.7	4.1
EV/Sales (x)	2.87	2.86	2.49
EV/EBITDA (x)	14.6	14.3	12.3
EV/Current EBIT (x)	17.8	17.4	14.8
Gearing (%)	-31	-44	-53
Net Debt/EBITDA(x)	ns	ns	ns

### Next Events

13.03.2017	Earnings Release
27.03.2017	Q4 Results
04.05.2017	Q1 Results
04.05.2017	Earnings Release

### New elements

The company's overall tone remains positive. Nothing particularly new filtered through at the conference, but we did receive confirmation on several topics:

**Q4 should come in strong:** Hypoport will report preliminary Q4 2016 figures on 13 March. We expect a strong Q4 i/ against the backdrop of the recently released Europace transaction figures (see next section) and ii/ due to a catch-up effect in the Institutional Clients segment in Q4 (9M: EBIT -25% yoy).

**Mid-term guidance:** Hypoport stuck to its mid-term guidance for top-line and EBIT growth at annual rates in the low double-digit range.

### We expect the strong outperformance vs. market to continue

The recently released Bundesbank figures (see p.2. for more details) show that Europace significantly outperformed the market in 2016: While the market was down -3.6% in 2016, the transaction volume on Europace was up +8.8%, i.e. an outperformance of +12.4 percentage points.

Going forward as well, we believe Europace will continue to gain market share for several reasons.

- (1) As a product group, mortgages have only marginal differentiation potential, i.e. competition is mostly on price (=mortgage interest rate) and loan duration. In addition, for most people, buying a home and thus selecting a mortgage is arguably the most important financial decision in their lifetime. As such, a centralized platform which increases price transparency provides significant value for consumers.
- (2) As the leading internet mortgage broking platform in Germany, Europace's size advantages – greater choice and more attractive prices for customers, more market reach for suppliers – naturally attract a growing customer base, which in turn translates to rising economies of scale. Similar to other online platforms such as CTS Eventim's ticketing platform, economies of scale in mortgage broking platforms have resulted in a duopoly (i.e. Europace and ING's Interhyp) protected by strong barriers to entry. This puts Hypoport in a strong position to grow its market share going forward.
- (3) Europace as an IT outsourcing solution can be significantly cheaper for banks than maintaining in-house operations. Used as a software-as-a-service solution, Europace saves banks the cost of developing (and continually updating) a proprietary platform. Economies of scale enable Hypoport to offer the software at a cheaper price compared to a self-developed software solution.

### Conclusion - Impact on EPS/Recommendation/TP

We remain bullish on the stock and reiterate our Buy recommendation and TP of € 102.00 (EPS CAGR 2015-18e: 17.4%).

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#### Conflict of interests:

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## Europace continues to gain market share

The German Central Bank (Bundesbank) recently published the December 2016 figure for the volume of new mortgages (see table below): In December, the volume was up +9.6% yoy (see right-most column).

**Overall 2016 performance:** The overall volume of new mortgages in Germany was down -3.6% in 2016.

### Bundesbank figure: mortgage volume to households in Germany 2016

Month	Total new volume	Total p.q.	Total p.a.	Change yoy
Jan-16	18,507			-6.4%
Feb-16	18,776			10.1%
Mar-16	22,396	<b>59,679</b>		6.0%
Apr-16	17,859			-12.8%
May-16	17,968			-8.1%
Jun-16	21,409	<b>57,236</b>		-10.9%
Jul-16	20,287			-19.8%
Aug-16	19,902			0.8%
Sep-16	18,685	<b>58,874</b>	<b>-5.6%</b>	-2.5%
Oct-16	17,913			-9.9%
Nov-16	20,224			9.8%
Dec-16	21,400	<b>59,537</b>	<b>-3.6%</b>	9.6%

Source: Bundesbank, Oddo Seydler

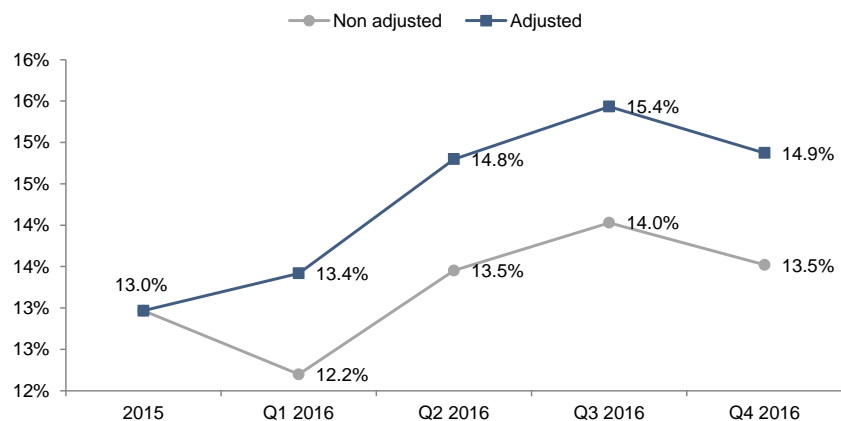
**Reminder:** With its Europace platform, Hypoport acts as a financial intermediary in the B2B market, i.e. it brings together credit supply from banks and credit demand from financial advisors. (Financial advisors advise private households as borrowers and arrange/broker loan agreements for them). Essentially, banks supply the Europace platform with mortgage loans, while financial advisors sell the mortgage loans to households. Hypoport receives a fee from the banks based on the transaction volume.

### Key takeaways:

**Outperformance of Europace continues:** While the German market was down -3.6% in 2016, the transaction volume on Europace was up +8.8%, i.e. an outperformance of +12.4 percentage points in 2016 (Europace reported its Europace transaction figures already on January 20).

**Strong market share gains in 2016:** Europace's market share of Europace improved from 13.0% in 2015 to 14.9% in Q4 2016, i.e. 14.9% of all new mortgages in Germany in Q4 2016 were processed through Europace (see figure below):

### Europace's quarterly market share: Q1 2016 – Q4 2016



Source: Bundesbank, company data, Oddo Seydler



**Market share trend, 2010 to 2016:** The table below shows how rapidly Europace increased its market share from 2010 to 2016, from 5.8% in 2010 to 14.6% for the full-year 2016 – and is currently the #1 platform in Germany in terms of processed mortgage transaction volume.

Europace's transaction volume (in € bn), market volume (in €bn) and implied market share						
	2010	2011	2012	2013	2015	2016
<b>Europace</b>	15.1	21.2	28.9	31.6	45.2	44.7
<b>Europace adjusted</b>	10.6	14.8	20.2	22.1	31.6	49.2
<b>Market</b>	182.4	187.2	189.3	195.0	244.0	235.3
<b>Europace market share (%)</b>	5.8%	7.9%	10.7%	11.3%	13.0%	14.6%

Source: Bundesbank, company data, Oddo Seydler

**HYQn.DE | HYQ GY**  
**Financial Services | Germany**

**Buy**

Upside

17.04%

Price 87.15EUR

TP 102.00EUR

PER SHARE DATA (EUR)	12/11	12/12	12/13	12/14	12/15	12/16e	12/17e	12/18e
Adjusted EPS	0.60	-0.13	0.51	0.96	2.63	3.25	3.79	4.26
<b>Reported EPS</b>	<b>0.60</b>	<b>-0.13</b>	<b>0.51</b>	<b>0.96</b>	<b>2.63</b>	<b>3.25</b>	<b>3.79</b>	<b>4.26</b>
Growth in EPS(%)	13.2%	ns	ns	88.0%	ns	23.8%	16.4%	12.5%
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	1.49	3.25	3.53
Book value per share	5.01	4.81	5.34	6.29	8.68	11.79	15.57	19.83
Number of shares market cap	6.19	6.16	6.14	6.14	6.04	6.14	6.14	6.14
Number of diluted shares	6.19	6.16	6.14	6.14	6.04	6.14	6.14	6.14
<b>VALUATION</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
12m highest price	11.95	12.15	10.46	13.78	80.50	97.00	89.70	
12m lowest price	6.95	6.95	7.03	8.67	12.16	53.59	77.48	
(*) Reference price	9.42	8.94	8.27	11.01	33.28	75.07	87.15	87.15
Capitalization	58.4	55.1	50.7	67.6	201	461	535	535
Restated Net debt	11.1	9.7	5.9	3.9	-13.5	-22.7	-42.6	-64.3
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	2.5	1.9	0.5	1.0	2.1	8.1	2.1	2.1
<b>Enterprise Value</b>	<b>72.0</b>	<b>66.7</b>	<b>57.1</b>	<b>72.5</b>	<b>190</b>	<b>446</b>	<b>494</b>	<b>473</b>
P/E (x)	15.7	ns	16.1	11.4	12.7	23.1	23.0	20.5
P/CF (x)	6.4	58.8	5.2	4.4	5.7	14.4	17.6	16.0
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%	2.0%	3.7%	4.1%
P/B incl. GW (x)	1.88	1.86	1.55	1.75	3.84	6.37	5.60	4.39
P/B excl. GW (x)	1.88	1.86	1.55	1.75	3.84	6.37	5.60	4.39
EV/Sales (x)	0.85	0.76	0.58	0.65	1.36	2.87	2.86	2.49
EV/EBITDA (x)	6.3	8.2	7.0	5.7	7.6	14.6	14.3	12.3
<b>EV/EBIT (x)</b>	<b>10.7</b>	<b>20.9</b>	<b>14.5</b>	<b>9.1</b>	<b>9.8</b>	<b>17.8</b>	<b>17.4</b>	<b>14.8</b>
(*) historical average price								
<b>PROFIT AND LOSS (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Sales	84	88	98	112	139	155	173	190
EBITDA	11.5	8.1	8.1	12.7	25.1	30.6	34.5	38.5
Depreciations	-4.7	-4.9	-4.2	-4.8	-5.8	-5.6	-6.1	-6.6
<b>Current EBIT</b>	<b>6.8</b>	<b>3.2</b>	<b>3.9</b>	<b>7.9</b>	<b>19.3</b>	<b>25.0</b>	<b>28.4</b>	<b>31.8</b>
Published EBIT	6.8	3.2	3.9	7.9	19.3	25.0	28.4	31.8
Net financial income	-0.7	-0.9	-0.9	-0.7	-0.1	-0.6	-0.5	-0.4
Corporate Tax	-1.6	-0.4	0.1	-1.3	-3.2	-4.5	-4.8	-5.4
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	20.0	23.2	26.1
<b>Adjusted attributable net profit</b>	<b>3.7</b>	<b>-0.8</b>	<b>3.1</b>	<b>5.9</b>	<b>15.9</b>	<b>20.0</b>	<b>23.2</b>	<b>26.1</b>
<b>BALANCE SHEET (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	27.9	27.7	29.6	31.0	31.9	30.3	27.5	25.4
Tangible fixed assets	2.5	2.6	2.2	2.2	2.6	2.5	2.3	2.0
WCR	12.4	10.7	6.9	9.0	4.9	17.4	23.7	30.6
Financial assets	2.2	0.5	0.8	1.6	1.9	1.9	1.9	1.9
Ordinary shareholders equity	31.0	29.6	32.8	38.6	52.4	72.4	95.6	122
Minority interests	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Shareholders equity	31.3	29.8	33.1	38.9	52.7	72.6	95.9	122
Non-current provisions	2.5	1.9	0.5	1.0	2.1	2.1	2.1	2.1
<b>Net debt</b>	<b>11.1</b>	<b>9.7</b>	<b>5.9</b>	<b>3.9</b>	<b>-13.5</b>	<b>-22.7</b>	<b>-42.6</b>	<b>-64.3</b>
<b>CASH FLOW STATEMENT (EURm)</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
<b>EBITDA</b>	<b>11.5</b>	<b>8.1</b>	<b>8.1</b>	<b>12.7</b>	<b>25.1</b>	<b>30.6</b>	<b>34.5</b>	<b>38.5</b>
Change in WCR	-4.4	1.2	3.7	-3.0	2.9	-12.5	-6.3	-6.9
Interests & taxes	-1.4	-1.5	-1.5	-1.3	-2.9	-5.1	-5.2	-5.7
Others	-1.0	-0.1	-0.5	0.0	1.6	0.6	1.0	0.7
Operating Cash flow	4.7	7.8	9.9	8.4	26.7	13.7	24.0	26.6
CAPEX	-5.3	-6.5	-5.7	-6.2	-7.1	-4.5	-4.1	-4.9
<b>Free cash-flow</b>	<b>-0.6</b>	<b>1.2</b>	<b>4.1</b>	<b>2.2</b>	<b>19.6</b>	<b>9.2</b>	<b>19.9</b>	<b>21.7</b>
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	9.2	19.9	21.7
<b>GROWTH MARGINS PRODUCTIVITY</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Sales growth	26.1%	4.0%	11.8%	14.5%	23.7%	11.7%	11.3%	9.7%
<b>Lfl sales growth</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Current EBIT growth	5.1%	-52.7%	23.5%	ns	ns	30.0%	13.6%	11.9%
Growth in EPS(%)	13.2%	ns	ns	88.0%	ns	23.8%	16.4%	12.5%
Net margin	4.4%	-0.9%	3.2%	5.3%	11.4%	12.9%	13.4%	13.8%
<b>EBITDA margin</b>	<b>13.6%</b>	<b>9.3%</b>	<b>8.3%</b>	<b>11.3%</b>	<b>18.0%</b>	<b>19.7%</b>	<b>20.0%</b>	<b>20.3%</b>
<b>Current EBIT margin</b>	<b>8.0%</b>	<b>3.6%</b>	<b>4.0%</b>	<b>7.1%</b>	<b>13.9%</b>	<b>16.1%</b>	<b>16.5%</b>	<b>16.8%</b>
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%	16.1%
Tax Rate	25.8%	16.9%	-3.3%	18.2%	16.9%	18.5%	17.0%	17.0%
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	3.3	3.4
<b>ROCE post-tax (normative tax rate)</b>	<b>20.8%</b>	<b>11.7%</b>	<b>13.0%</b>	<b>23.6%</b>	<b>60.6%</b>	<b>72.9%</b>	<b>69.0%</b>	<b>44.5%</b>
ROCE post-tax hors GW (normative tax rate)	20.8%	11.7%	13.0%	23.6%	60.6%	72.9%	69.0%	44.5%
ROE	12.8%	-2.7%	10.1%	16.6%	34.9%	32.0%	27.7%	24.1%
<b>DEBT RATIOS</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16e</b>	<b>12/17e</b>	<b>12/18e</b>
Gearing	36%	33%	18%	10%	-26%	-31%	-44%	-53%
Net Debt / Market Cap	0.19	0.18	0.12	0.06	-0.07	-0.05	-0.08	-0.12
<b>Net debt / EBITDA</b>	<b>0.97</b>	<b>1.20</b>	<b>0.72</b>	<b>0.31</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>	<b>ns</b>
EBITDA / net financial charges	ns	ns	ns	ns	ns	ns	ns	ns

## Mention of conflicts of interest

### • 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 Securities' 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.

### • 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 Securities or Oddo Seydler concerning the companies covered and mentioned in this document are available on the research site: [www.oddosecurities.com](http://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
22.09.16	Buy	102.00	83.29	Dr. Oliver Pucker, CFA
03.05.16	Buy	89.00	71.69	Ivo Višić
22.03.16	Buy	74.00	64.84	Ivo Višić
23.02.16	Buy	72.00	59.58	Ivo Višić

### Recommendation split

		Buy	Neutral	Reduce
Our whole coverage	(417)	48%	43%	9%
Liquidity providers coverage	(152)	53%	42%	5%
Research service coverage	(67)	60%	37%	3%
Investment banking services	(40)	73%	23%	5%

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### Significant equity stake

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Does the subject company beneficially own 5% or more of any class of common equity of Oddo & Cie or its affiliates? No

### Disclosure to Company

Has a copy of this report ; with the target price and/or rating removed, been presented to the subject company/ies prior to its distribution, for the sole purpose of verifying the accuracy of factual statements ? No

Have the conclusions of this report been amended following disclosure to the company/ies and prior its distribution? No

### Additional material conflicts

Is Oddo Group, or Oddo & Cie, or Oddo Seydler aware of any additional material conflict of interest? No

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