

Recommendation:

**BUY** (BUY)

Risk:

**HIGH** (HIGH)

Price Target:

**EUR 11.00** (11.00)

05 August 2013

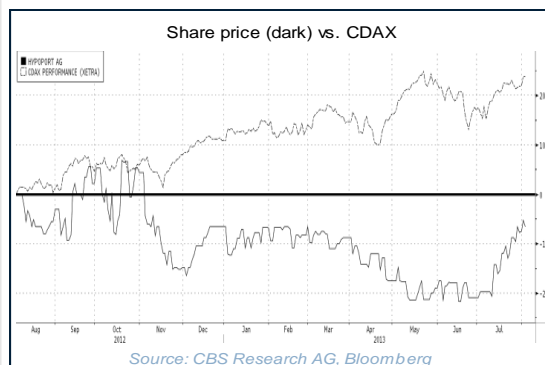
## Operating margins cannot keep up with top-line growth

- Hypoport today announced its 1H 2013 results, reporting a considerable revenue increase of 16.1% yoy to EUR 48.7m (PY: EUR 41.9m). It is worth to mention that the method used to calculate sales commissions paid to mortgage finance brokers was amended with effect from 1 April 2013, positively affecting revenues. Excluding this effect, revenue growth would have been at 9.9%. Main revenue drivers were the Private Client and Financial Service Providers business unit, generating EUR 28.4m (+17.3% yoy) and EUR 15.0m (+21.0% yoy), respectively. Owing to an undiminished strong demand for mortgage and building finance products as well as considerable growth concerning life and general insurance products despite a weakening overall market, Dr. Klein & Co. AG increased the volume of loan transactions by 27% to EUR ~2.7bn (PY: EUR 2.1bn) and the value of insurance transactions by 33% to EUR 11.0m (PY: EUR 8.2m). In 1H 2013 the total volume of transactions processed on the EUROPACE marketplace for financial products rose by 7.4% yoy to EUR 15.7bn (PY: EUR 14.6bn) with mortgage finance products as major contributor. As a result of less big ticket deals, revenues attributable to Institutional Clients business unit decreased by 30.4% to EUR 2.5m (PY: EUR 3.6m). In 2H 2013 the management expects higher revenues stemming from big ticket deals, which would have a positive impact on the overall margin.
- As selling expenses rose at a higher rate than revenues, due to a partial shift from higher to low-margin revenue models, gross profit for 1H declined by 0.6% to EUR 23.1m (PY: EUR 23.2m). In addition, notably higher personnel and other operating expenses led to a sharp drop of EBITDA, which came in at EUR 2.8m (EUR 5.4m). EBIT even dropped by 76.2% to EUR 0.7m (PY: EUR 3.0m). The EBIT margin declined from 7.2% to 1.5%. Still Benefiting from reversals of deferred taxes, net profit reached EUR 1.4m (PY: EUR 1.9m) or EUR 0.23 (PY: EUR 0.30) on a per share basis.
- For 2013 Ronald Slabke (CEO) expects Hypoport to achieve a two digit sales growth and to return to income levels of record years.
- Considering the 1H results, we have lifted our revenue estimates as we expect the low interest rate environment to persist in the short to mid-term, which will continue boosting the lending market while acting as a drag on the insurance market. However, we remain cautious in terms of margins. Backed by the new estimates our valuation model indicates a fair value of EUR 11.61. Accordingly, **we remain BUYers** of the stock, but leave our **PT unchanged at EUR 11.00** since the stock, even having gained momentum since July, considerably underperformed the market on yoy basis.

### Key data

Y/E Dec 31, EUR m	2010	2011	2012	2013E	2014E	2015E
Revenues	66.9	84.4	87.8	99.8	104.6	107.3
EBITDA	11.1	11.5	8.1	7.5	10.0	12.4
EBIT	6.4	6.8	3.2	3.8	5.3	6.8
Net result	3.3	3.7	-0.8	3.2	3.0	3.8
Basic EPS	0.53	0.61	-0.13	0.52	0.49	0.62
DPS	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA margin	16.7%	13.6%	9.3%	7.5%	9.5%	11.5%
EBIT margin	9.6%	8.0%	3.6%	3.8%	5.0%	6.4%
EV/EBITDA	5.8	5.6	8.0	8.6	6.5	5.2
EV/EBIT	10.1	9.6	20.2	17.0	12.2	9.5
P/E	15.9	14.0	n.a.	16.3	17.5	13.8

Source: CBS Research AG, Hypoport AG



Change	2013E		2014E		2015E	
EUR m	new	old	new	old	new	old
Revenues	99.8	92.9	104.6	98.0	107.3	104.1
EBIT	3.8	4.1	5.3	5.1	6.8	6.5
EPS	0.52	0.46	0.49	0.47	0.62	0.58

www.hypoport.com

WKN: 549336

Reuters: HYQG.N.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):	<b>8.50</b>
Shares outstanding (m):	6.1
Market capitalisation (EUR m):	52.2
Enterprise value (EUR m):	64.7
Ø daily trading volume (3 m., no. of shares):	986

### Performance data:

High 52 weeks (EUR):	10.00
Low 52 weeks (EUR):	6.97
Absolute performance (12 months):	-6.6%
Relative performance vs. CDAX:	
1 month	8.4%
3 months	5.6%
6 months	-8.9%
12 months	-24.5%

### Shareholders:

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

### Financial calendar:

3Q 13 results November 04, 2013

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# Appendix

## Financials

### Profit and loss yoy comparison

	IFRS	EURm	1H 13	1H 12	Δ	% change	2Q 13	2Q 12	Δ	% change
<b>Revenue</b>			<b>48.7</b>	<b>41.9</b>	<b>6.7</b>	<b>16.1%</b>	<b>26.6</b>	<b>21.4</b>	<b>5.3</b>	<b>24.6%</b>
Selling expenses			-25.6	-18.7	-6.9	36.7%	-14.9	-9.7	-5.2	53.8%
% of total revenue			-52.6%	-44.7%			-55.9%	-45.3%		
<b>Gross Profit</b>			<b>23.1</b>	<b>23.2</b>	<b>-0.1</b>	<b>-0.6%</b>	<b>11.7</b>	<b>11.7</b>	<b>0.1</b>	<b>0.5%</b>
Gross Profit margin in %			47.4%	55.3%			44.1%	54.7%		
Own work capitalised			2.0	2.1	-0.1	-4.2%	1.0	1.1	-0.2	-15.9%
% of total revenue			4.1%	4.9%			3.6%	5.3%		
Other operating income			1.4	0.8	0.5	66.7%	1.0	0.6	0.4	72.9%
% of total revenue			2.8%	2.0%			3.6%	2.6%		
Cost of materials			0.0	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.
% of total revenue			0.0%	0.0%			0.0%	0.0%		
Personnel expenses			-16.3	-14.7	-1.6	11.2%	-8.2	-7.2	-1.0	13.7%
% of total revenue			-33.5%	-35.0%			-30.7%	-33.6%		
Other operating expenses			-7.3	-6.1	-1.3	21.1%	-3.9	-2.9	-1.0	33.0%
% of total revenue			-15.1%	-14.5%			-14.6%	-13.6%		
<b>EBITDA</b>			<b>2.8</b>	<b>5.4</b>	<b>-2.6</b>	<b>-48.3%</b>	<b>1.6</b>	<b>3.3</b>	<b>-1.7</b>	<b>-50.7%</b>
EBITDA margin in %			5.7%	12.8%			6.1%	15.4%		
Depreciation, amortisation exp. & impairment loss			-2.0	-2.3	0.3	-12.0%	-1.0	-1.2	0.2	-16.1%
% of total revenue			-4.2%	-5.5%			-3.7%	-5.5%		
<b>EBIT</b>			<b>0.7</b>	<b>3.0</b>	<b>-2.3</b>	<b>-76.2%</b>	<b>0.6</b>	<b>2.1</b>	<b>-1.5</b>	<b>-69.7%</b>
EBIT margin in %			1.5%	7.2%			2.4%	9.9%		
Financial result			-0.3	-0.6	0.4	-59.2%	-0.1	-0.3	0.2	-54.3%
% of total revenue			-0.5%	-1.5%			-0.5%	-1.3%		
<b>EBT</b>			<b>0.5</b>	<b>2.4</b>	<b>-1.9</b>	<b>-80.5%</b>	<b>0.5</b>	<b>1.8</b>	<b>-1.3</b>	<b>n.a.</b>
EBT margin in %			1.0%	5.7%			1.9%	8.6%		
Taxes on income & def.			0.9	-0.5	1.5	n.a.	0.4	-0.7	1.1	n.a.
% of EBT			193.2%	-22.7%			78.9%	-36.5%		
<b>Net profit/loss for the year</b>			<b>1.4</b>	<b>1.9</b>	<b>-0.5</b>	<b>n.a.</b>	<b>0.9</b>	<b>1.2</b>	<b>-0.2</b>	<b>n.a.</b>
Attributable to non-controlling/minority interest			0.0	0.0	0.1	n.a.	0.0	0.0	0.0	n.a.
<b>Attributable to Hypoport AG shareholders</b>			<b>1.4</b>	<b>1.9</b>	<b>-0.5</b>	<b>n.a.</b>	<b>0.9</b>	<b>1.2</b>	<b>-0.3</b>	<b>n.a.</b>
Weighted number of shares , basic in million shares			6.14	6.19	-0.1	-1.0%	6.14	6.19	-0.1	-0.9%
Weighted number of shares , diluted in million shares			6.14	6.19	-0.1	-1.0%	6.14	6.19	-0.1	-0.9%
<b>EPS Basic</b>			<b>0.23</b>	<b>0.30</b>	<b>-0.1</b>	<b>n.a.</b>	<b>0.15</b>	<b>0.19</b>	<b>0.0</b>	<b>n.a.</b>
<b>EPS Diluted</b>			<b>0.23</b>	<b>0.30</b>	<b>-0.1</b>	<b>n.a.</b>	<b>0.15</b>	<b>0.19</b>	<b>0.0</b>	<b>n.a.</b>

Source: CBS Research AG, Hypoport AG

**Profit and loss account**

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
<b>Revenue</b>			<b>66.9</b>	<b>84.4</b>	<b>87.8</b>	<b>99.8</b>	<b>104.6</b>	<b>107.3</b>
YoY growth			32.6%	26.1%	4.0%	13.8%	4.8%	2.6%
Selling expenses			-26.6	-39.9	-43.0	-51.2	-52.5	-52.6
% of total revenue			-39.8%	-47.3%	-48.3%	-51.3%	-50.1%	-49.0%
<b>Gross Profit</b>			<b>40.3</b>	<b>44.5</b>	<b>44.7</b>	<b>48.6</b>	<b>52.2</b>	<b>54.8</b>
Gross Profit margin in %			60.2%	52.7%	51.0%	48.7%	49.9%	51.0%
Own work capitalised			5.7	3.6	4.2	3.8	5.0	5.3
% of total revenue			8.6%	4.8%	4.8%	3.8%	4.8%	4.9%
Other operating income			1.4	1.8	2.4	2.4	2.3	2.7
% of total revenue			2.0%	2.2%	2.7%	2.4%	2.2%	2.6%
Personnel expenses			-24.6	-26.5	-29.9	-33.7	-35.2	-35.5
% of total revenue			-36.8%	-31.4%	-34.1%	-33.8%	-33.7%	-33.1%
Other operating expenses			-11.6	-11.9	-13.2	-13.6	-14.2	-14.9
% of total revenue			-17.4%	-14.1%	-15.1%	-13.6%	-13.6%	-13.8%
<b>EBITDA</b>			<b>11.1</b>	<b>11.5</b>	<b>8.1</b>	<b>7.5</b>	<b>10.0</b>	<b>12.4</b>
EBITDA margin in %			16.7%	13.6%	9.3%	7.5%	9.5%	11.5%
Depreciation, amortisation exp. & impairment loss			-4.7	-4.7	-4.9	-3.7	-4.7	-5.6
<b>EBIT</b>			<b>6.4</b>	<b>6.8</b>	<b>3.2</b>	<b>3.8</b>	<b>5.3</b>	<b>6.8</b>
EBIT margin in %			9.6%	8.0%	3.6%	3.8%	5.0%	6.4%
Financial result			-1.6	-0.7	-0.9	-0.8	-1.0	-1.1
<b>EBT</b>			<b>4.8</b>	<b>6.0</b>	<b>2.3</b>	<b>3.0</b>	<b>4.3</b>	<b>5.8</b>
EBT margin in %			7.2%	7.1%	2.7%	3.0%	4.1%	5.4%
Taxes on income & def.			-1.6	-1.6	-0.4	0.2	-1.3	-2.0
% of EBT			-32.4%	-25.8%	-16.9%	5.3%	-30.0%	-34.5%
<b>Profit/loss from continuing operations, net of tax</b>			<b>3.3</b>	<b>4.5</b>	<b>1.9</b>	<b>3.2</b>	<b>3.0</b>	<b>3.8</b>
as % of total revenue			4.9%	5.3%	2.2%	3.2%	2.8%	3.5%
Profit/loss from discontinued operations			0.0	-0.7	-2.8	0.0	0.0	0.0
<b>Net profit/loss for the year</b>			<b>3.3</b>	<b>3.7</b>	<b>-0.8</b>	<b>3.2</b>	<b>3.0</b>	<b>3.8</b>
Net profit margin in %			4.9%	4.4%	-0.9%	3.2%	2.8%	3.5%
Attributable to non-controlling/minority interest			0.0	0.0	0.0	0.0	0.0	0.0
<b>Attributable to Hypoport AG shareholders</b>			<b>3.3</b>	<b>3.8</b>	<b>-0.8</b>	<b>3.2</b>	<b>3.0</b>	<b>3.8</b>
<b>Weighted number of shares, basic in million shares</b>			<b>6.15</b>	<b>6.19</b>	<b>6.19</b>	<b>6.13</b>	<b>6.13</b>	<b>6.13</b>
Weighted number of shares, diluted in million shares			6.18	6.19	6.19	6.13	6.13	6.13
<b>EPS Basic</b>			<b>0.53</b>	<b>0.61</b>	<b>-0.13</b>	<b>0.52</b>	<b>0.49</b>	<b>0.62</b>
<b>EPS Diluted</b>			<b>0.53</b>	<b>0.61</b>	<b>-0.13</b>	<b>0.52</b>	<b>0.49</b>	<b>0.62</b>

Source: CBS Research AG, Hypoport AG

## Balance Sheet

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
<b>Assets</b>								
<b>Total non-current assets</b>			<b>37.0</b>	<b>35.0</b>	<b>35.5</b>	<b>37.6</b>	<b>37.8</b>	<b>36.6</b>
as % of total assets			55.1%	48.6%	50.1%	49.5%	47.5%	43.7%
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	5.3	5.5	5.7
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
<b>Current assets</b>			<b>30.1</b>	<b>37.1</b>	<b>35.3</b>	<b>38.3</b>	<b>41.8</b>	<b>47.2</b>
as % of total assets			44.9%	51.4%	49.9%	50.5%	52.5%	56.3%
Trade receivables			15.5	25.1	21.1	24.0	25.1	25.8
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	8.7	11.0	15.8
<b>Total assets</b>			<b>67.2</b>	<b>72.1</b>	<b>70.7</b>	<b>75.9</b>	<b>79.6</b>	<b>83.8</b>
<b>Total Shareholder's Equity &amp; Liabilities</b>								
<b>Total shareholders equity</b>			<b>27.4</b>	<b>31.3</b>	<b>29.8</b>	<b>33.0</b>	<b>36.0</b>	<b>39.8</b>
as % of total equity and liabilities			40.8%	43.3%	42.2%	43.6%	45.2%	47.5%
Subscribed capital			6.2	6.2	6.2	6.2	6.2	6.2
Reserves			21.0	24.9	23.5	26.7	29.7	33.4
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
<b>Non-current liabilities</b>			<b>20.6</b>	<b>10.3</b>	<b>14.8</b>	<b>14.8</b>	<b>14.8</b>	<b>14.8</b>
as % of total equity and liabilities			30.6%	14.3%	21.0%	19.5%	18.6%	17.7%
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
<b>Current liabilities</b>			<b>19.2</b>	<b>30.6</b>	<b>26.1</b>	<b>28.0</b>	<b>28.8</b>	<b>29.2</b>
as % of total equity and liabilities			28.6%	42.4%	36.9%	36.9%	36.1%	34.8%
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	16.0	16.8	17.2
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
<b>Total liabilities</b>			<b>39.8</b>	<b>40.9</b>	<b>40.9</b>	<b>42.8</b>	<b>43.6</b>	<b>44.0</b>
as % of total equity and liabilities			59.2%	56.7%	57.8%	56.4%	54.8%	52.5%
<b>Total liabilities</b>			<b>67.2</b>	<b>72.1</b>	<b>70.7</b>	<b>75.9</b>	<b>79.6</b>	<b>83.8</b>

Source: CBS Research AG, Hypoport AG

## Cash flow statement

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
<b>Earnings before interest and tax (EBIT)</b>			<b>6.4</b>	<b>5.9</b>	<b>1.2</b>	<b>3.8</b>	<b>5.3</b>	<b>6.8</b>
from continuing operations			6.4	6.8	3.2	3.8	5.3	6.8
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	-1.1
Net income taxes receipts (+) / payments (-)			-0.4	-0.4	-0.7	0.2	-1.3	-2.0
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
<b>Cash flow</b>			<b>8.0</b>	<b>9.1</b>	<b>6.5</b>	<b>6.9</b>	<b>7.7</b>	<b>9.3</b>
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	-3.5	-1.4	-0.8
Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities			7.4	3.6	-0.1	1.9	0.8	0.4
<b>Cash flows from operating activities</b>			<b>10.0</b>	<b>4.7</b>	<b>7.8</b>	<b>5.3</b>	<b>7.0</b>	<b>9.0</b>
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
<b>Cash flows from investing activities</b>			<b>-7.7</b>	<b>-5.7</b>	<b>-6.5</b>	<b>-5.2</b>	<b>-4.7</b>	<b>-4.2</b>
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
<b>Cash flows from financing activities</b>			<b>1.7</b>	<b>-2.6</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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	0.1	2.3	4.8
Cash and cash equivalents at the beginning of the period			7.2	11.2	7.5	8.6	8.7	11.0
<b>Cash and cash equivalents at the end of the period</b>			<b>11.2</b>	<b>7.5</b>	<b>8.6</b>	<b>8.7</b>	<b>11.0</b>	<b>15.8</b>
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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Date	Recommendation	Price at change date	Price target
05 August 2013	BUY (Update)	EUR 8.50	EUR 11.00
06 May 2013	BUY (Update)	EUR 7.51	EUR 11.00
12 March 2013	BUY (Update)	EUR 8.42	EUR 11.90
05 November 2012	BUY (Update)	EUR 8.73	EUR 13.20

06 August 2012	BUY (Update)	EUR 9.10	EUR 15.00
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