

Hypoport AG

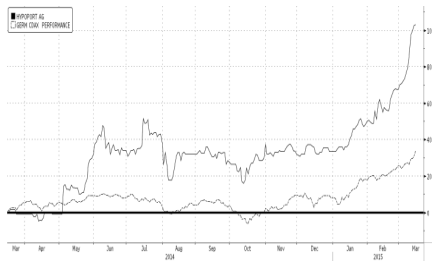
BUY (BUY) | Target 21.00 EUR (17.00 EUR)

 Price (last closing price) : **18.49 EUR** | Upside : 14%

Est. change	2015e	2016e
EPS	25%	25%

Increasing estimates and PT on expectation of solid earnings momentum

Tuesday, 17 March 2015



Capital

HYQ.GY HYQGn.DE	
Market Cap (EURm)	114
Enterprise value (EURm)	120
Extrema 12 months	18.8 - 8.6
Free Float (%)	36.0%

Performance (%)	1m	3m	12m
Absolute	28.9	52.8	103.1
Perf. rel. "sector"	23.7	19.9	30.4
Perf. rel. CDAX	16.1	20.2	52.0

P & L	12/14e	12/15e	12/16e
Revenues (EURm)	112.3	123.9	131.4
EBIT (EURm)	7.9	9.8	10.7
Net attr. profit (EURm)	5.7	6.5	7.0
EPS (EUR)	0.94	1.06	1.15
DPS (EUR)			

P/E (x)	19.8	17.5	16.2
P/B (x)	1.5	1.3	1.2
ROE (%)	15.7	15.5	14.4
Net Yield (%)	0.0	0.0	0.0
EBIT margin (%)	7.0	7.9	8.2
EV/EBITDA (x)	9.4	7.4	6.2

Next Events

FY 2014 final results	23.03.2015
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Growth momentum and turnaround of insurance business

Hypoport recently reported preliminary 2014 results ahead of our estimates. Reported EBIT stood at EUR 7.9m vs. our EUR 7.4m. We now increase our EPS estimates by 25% p.a. to EUR 1.06 for 2015e and EUR 1.15 for 2016e. Besides top-line growth momentum in all three major segments, Hypoport should also benefit from the ongoing turnaround of its insurance business feeding down to the bottom line.

Private clients business with markedly improved results

Brokered mortgage loans grew 19% yoy in 2014 to EUR 5.9bn; home purchase savings grew 36% yoy to EUR 0.21bn; and personal loans declined 32% yoy to EUR 0.21bn. We believe Hypoport is set to grab further market share in mortgage loans within a stagnant overall market driven by its competitive business model. The company is also making good progress with the turnaround of its insurance brokerage business. We believe it already halved its insurance operating losses in 2014, and expect it to break even in 2016e at the latest. The ongoing turnaround here should have a positive EBIT effect of c.EUR 1m-plus in 2015e, likely driven by growing recurring fees on the back of increased volume of insurance policies under management (up 18% to annual premiums of EUR 118.9m) and more efficient work flows in distribution and portfolio business administration. Segmental EBIT increased by EUR 3.5m in 2014 to EUR 1.9m.

EUROPACE should regain earnings momentum in 2015e

Financial service provider EUROPACE increased revenues by 14% in 2014 to EUR 34.4m but reported a 7% yoy decrease in EBIT to EUR 5.6m driven by one-offs and higher depreciation charges. This segment should expand its market share further as growth in new partner banks (savings and cooperative banks) stood at 31% in 2014 (to a total of 208 partner banks GENOPACE and FINMAS). Hence we believe this segment is well positioned to generate top and bottom line growth in the low double digit percentage range in 2015e.

Institutional business benefits from expansion of product range

The Institutional Clients' business increased revenues by 18% yoy to EUR 14.5m in 2014 and EBIT by 18% to EUR 4.5m. Brokered loans were up 12% yoy to EUR 1.65bn, and consulting revenues increased 19% yoy to 5.1m. Overall, segment revenue growth is being driven by an expansion of the product range. This expansion is set to continue thanks to the creation of a real estate investment management entity, which received regulatory approval in late 2014. This entity might add to top- and bottom-line results long term.

We reiterate BUY recommendation and increase PT of EUR 21.00

We reiterate our BUY recommendation on the shares and move our price target from EUR 17.00 to EUR 21.00 based on our EPS estimates which we have increased by 25% p.a. to EUR 1.06 or 2015e and to EUR 1.15 for 2016e. Our new PT reflects a P/E target of 19.8x 2015e and 18.3x 2016e.

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Hypoport AG

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Revenues			84.4	87.8	101.1	112.3	123.9	131.4
YoY growth			26.1%	4.0%	15.2%	11.1%	10.4%	6.0%
Selling expenses			-39.9	-43.0	-51.5	-55.9	-60.3	-63.4
% of total revenue			-47.3%	-40.0%	-50.9%	-50.1%	-49.6%	-49.1%
Gross Profit			44.5	44.7	49.6	56.4	63.6	68.0
Gross Profit margin in %			52.7%	51.0%	49.1%	50.2%	51.3%	51.8%
Own work capitalised			3.6	4.2	4.2	4.7	5.2	5.5
% of total revenue			6.4%	4.8%	4.2%	4.2%	4.2%	4.2%
Other operating income			1.8	2.4	2.8	1.8	2.0	2.1
% of total revenue			2.2%	2.7%	2.7%	1.6%	1.6%	1.6%
Personnel expenses			-26.5	-29.9	-32.8	-35.3	-38.9	-41.3
% of total revenue			-31.4%	-34.1%	-32.5%	-31.4%	-31.4%	-31.4%
Other operating expenses			-11.9	-13.2	-15.6	-15.6	-17.2	-18.3
% of total revenue			-14.1%	-15.1%	-15.5%	-13.9%	-13.9%	-13.9%
Income from investments valued at equity			0.0	0.0	0.0	0.0	0.0	0.0
% of total revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA			11.5	8.1	8.2	12.0	14.6	16.1
EBITDA margin in %			13.6%	9.3%	8.1%	10.7%	11.8%	12.2%
Depreciation, amortisation exp. & impairment loss			-4.7	-4.9	-4.2	-4.1	-4.8	-5.3
EBIT			6.8	3.2	4.0	7.9	9.8	10.7
EBIT margin in %			8.0%	3.6%	3.9%	7.0%	7.9%	8.2%
Financial result			-0.7	-0.9	-0.9	-0.9	-1.1	-1.1
EBT			6.0	2.3	3.1	7.0	8.7	9.6
EBT margin in %			7.1%	2.7%	3.1%	6.2%	7.0%	7.3%
Taxes on income & def.			-1.6	-0.4	0.1	-1.3	-2.2	-2.6
% of EBT			-25.8%	-16.9%	2.8%	-17.9%	-25.0%	-26.6%
Profit/loss from continuing operations, net of tax			4.5	1.9	3.2	5.7	6.5	7.0
as % of total revenue			5.3%	2.2%	3.1%	5.1%	5.3%	5.4%
Profit/loss from discontinued operations			-0.7	-2.8	0.0	0.0	0.0	0.0
Net profit/loss for the year			3.7	-0.8	3.2	5.7	6.5	7.0
Net profit margin in %			4.4%	-0.9%	3.1%	5.1%	5.3%	5.4%
Attributable to non-controlling/minority interest			0.0	0.0	0.0	0.0	0.0	0.0
Attributable to Hypoport AG shareholders			3.8	-0.8	3.2	5.7	6.5	7.0
Weighted number of shares , basic in million shares			6.19	6.16	6.14	6.14	6.14	6.14
Weighted number of shares , diluted in million shares			6.19	6.16	6.14	6.14	6.14	6.14
EPS Basic			0.60	-0.13	0.52	0.94	1.06	1.15
EPS Diluted			0.60	-0.13	0.52	0.94	1.06	1.15

Source: Company data, Oddo Seydler Bank AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

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This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
17 March 2015	BUY (Update)	EUR 18.49	EUR 21.00
30. January 2015	BUY (Update)	EUR 13.50	EUR 17.00
03 November 2014	BUY (Update)	EUR 12.50	EUR 17.00
04 August 2014	BUY (Update)	EUR 11.50	EUR 17.00
05 May 2014	BUY (Update)	EUR 9.00	EUR 17.00

10 March 2014	BUY (Update)	EUR 9.25	EUR 12.50
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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.

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