



## Hypoport AG

Buy → | Target 57.00 EUR vs 41.00 EUR ↗

Price : 46.50 EUR | Upside : 23 %

Est.chg	2015e	2016e
EPS	12.7%	18.9%

## Hypoport currently knows only one direction... ; PT up to € 57.00

Wednesday 21 October 2015



Capital			
<b>HYQ GY   HYQGn.DE</b>			
Market Cap (EURm)	285		
Enterprise value (EURm)	281		
Extrema 12 months	11.41	- 46.50	
Free Float (%)	37.6		
Performance (%)			
	1m	3m	12m
Absolute	22.4	55.3	302.1
Perf. rel. "sector"	19.7	74.2	251.5
Perf. rel. Property, holding	19.2	72.7	200.8
P&L			
	12/15e	12/16e	12/17e
Sales (EURm)	134	156	178
EBITDA (EURm)	23.7	28.1	32.9
Current EBIT (EURm)	18.5	21.9	25.8
Attr. net profit (EURm)	14.6	17.3	20.4
Adjusted EPS (EUR)	2.38	2.82	3.32
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	19.5	16.5	14.0
P/B (x)	5.4	4.0	3.1
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)			
EV/Sales (x)	2.10	1.73	1.43
EV/EBITDA (x)	11.9	9.6	7.7
EV/Current EBIT (x)	15.2	12.3	9.8
Gearing (%)	-10	-24	-36
Net Debt/EBITDA(x)	ns	ns	ns

Next Events	
02/11/2015	Q3 Results

## EUROPACE and Dr. Klein figures call for sound Q3 2015 result

Hypoport AG will post its Q3 2015 report on 2 November. We expect the company to present sound results based on a set of favourable figures from EUROPACE and Dr. Klein which gave no indication of a summer slow-down in terms of business activity and overall growth. We look for Q3 2015e consolidated EBIT of € 4.9m (Q2 2015: € 5.3m; Q3 2014: € 1.7m). Our consolidated net income estimate stands at € 3.9m (Q2 2015: € 4.3m; Q3 2014: € 1.3m) or € 0.64 on a per share basis (Q2 2015: € 0.70; Q3 2014: € 0.21).

## Private Clients (PC): 2014's new loan business volume already topped

In 9M 2015, new lending volume brokered by Dr. Klein rose ~45% yoy to €6.8bn already exceeding the total volume for 2014. The insurance portfolio managed by Dr. Klein also continued to grow, increasing by ~10% ytd to € 121.6m. Owing to massive investments in terms of process automation within the insurance business, Dr. Klein will be able to cope with a continuous expansion of the insurance portfolio without additional staff which will certainly have a favourable effect on segment margins.

## Financial Service Providers (FSP): EUROPACE sustains momentum

EUROPACE's brokered volume rose 27% yoy in 9M 2015 to €34.4bn, w/ Q3 contributing €11.5bn (Q3 2014: € 9.6bn) which represents the second highest single quarter value ever, after € 11.8bn have been processed in Q2 2015. The mortgage finance business, the highest-volume and fastest-growing product type on EUROPACE generated yoy growth of 31%, while building finance and personal loans grew 13% or 18%, respectively. Overall, the mortgage finance market is experiencing a period of growth that is being driven by the building of new properties and rising prices. We still see FSP, with its highly scalable business model, well placed for low 2-digit earnings growth in 2015e and beyond.

## Rising real estate portfolio volume implies increasing funding demand

If the Fed decides to raise interest rates at the end of the year, it remains to be seen if and to what extent this will affect the interest rate situation in Germany. Should mortgage rates in Germany rise in the wake of the Fed's move, this could revitalize Hypoport's business, as interest rates changes have historically led to positive volume impulses. In the mid- and long term, however, interest rate levels are not key to the success of Hypoport's business models, as mortgage volumes in Germany are less sensitive to rate levels than it appears to be the case. However, traders in futures markets for the time being only see a 1-in-3 chance of a Fed rate increase by year-end. In fact we believe that the significant rise in new mortgage lending volumes in Germany (€ 167.1bn from Jan-Aug +27.5% yoy) is more due to an expanding total real estate portfolio, as new residential housing projects in conurbations increasingly reach the final stages of completion. Beforehand the old real estate portfolio was just circulated leading to almost stagnating new mortgage lending volumes.

## EPS 2015-2016e raised by 13% and 19%; PT lifted to € 57.00

Considering the positive impulses from mortgage lending market as well as the ytd business performance, we believe that Hypoport can continue to grow its top-line and is also able to sustainably improve its operating margin to 13.8% and above. Thus, we raise our earnings estimates for 2015-16e by 13% and 19%, respectively, which leads us to a new FVpS of €57.02. We remain Buyers of the stock raising our PT from € 41.00 to € 57.00, which implies a forward P/E of 23.9x 2015e and 20.2x 2016e.

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### Q3 2015 estimates

IFRS	Q3 15e	Q2 15	Change	Q2 14	Change
<b>Revenues</b>	33.4	34.2	-2.4%	28.0	19.4%
<b>EBIT</b>	4.9	5.3	-7.1%	1.7	183.7%
<b>Net income</b>	3.9	4.3	-9.6%	1.3	198.2%
<b>EPS</b>	0.64	0.70	-9.6%	0.21	198.2%

Source: Company data, Oddo Seydler Bank AG

### “Wohnimmobilienkreditrichtlinie” (WIKR)

In mid-July draft legislation to transpose the European Parliament’s Mortgage Credit Directive 2014/17/EU into national law in Germany was accepted by the German Federal Cabinet, which means it will probably be passed by parliament in its present form without major changes. The transposition deadline for the EU directive is 21 March 2016. The draft, called the Residential Real Estate Directive (WIKR/Wohnimmobilienkreditrichtlinie), addresses credit agreements for consumers relating to residential real estate. It requires occupational licensing and vocational training for brokers of real estate loans and provides guidelines for pre-contractual informational standards and mandatory consulting services. The intent of the legislation is to ensure that consulting services covering housing loans and mortgages are independent and of high quality throughout the country.

We believe Hypoport’s Dr. Klein stands to benefit from the new regulatory requirements, as its approach has always been consultative. In other words, we believe Dr. Klein will gain market share as less professional advisers leave the market because they cannot meet the new standards of the WIKR. Furthermore, the WIKR likely will cause additional regulatory and cost pressures for market participants, which in turn strengthens the market position of EUROPACE as it offers a well accepted solution. The implementation WIKR in 2016 will of course necessitate significant investment to conform to the new requirements, although management is not able to quantify such investment at this point in time.

### Valuation

#### Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
Peer group valuation	50.0%	53.55
DCF valuation	50.0%	60.50
<b>Fair value per share (EUR)</b>		<b>57.02</b>

Source: Oddo Seydler Bank AG

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	6.4	6.0	5.5	16.2	15.0	13.8	19.0	17.7	17.3	23.6	22.2	20.1
OVB 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	2.6	2.4	2.3	27.2	24.6	24.1	33.6	29.0	27.5	14.4	12.4	11.9
JDC GROUP AG	0.4	0.3	0.3	11.2	6.0	4.5	25.2	8.4	5.7	157.5	14.3	9.0
<b>Average</b>	<b>2.5</b>	<b>2.4</b>	<b>2.2</b>	<b>16.4</b>	<b>14.0</b>	<b>13.0</b>	<b>23.0</b>	<b>17.0</b>	<b>15.6</b>	<b>55.1</b>	<b>17.9</b>	<b>15.5</b>
<b>Median</b>	<b>1.7</b>	<b>1.6</b>	<b>1.6</b>	<b>13.7</b>	<b>12.7</b>	<b>11.7</b>	<b>22.1</b>	<b>15.3</b>	<b>14.6</b>	<b>24.2</b>	<b>18.2</b>	<b>16.0</b>

EURm, except EPS (EUR)	Sales			EBITDA			EBIT			EPS		
	2015e	2016e	2017e									
Hypoport AG: Financial estimates Oddo Seydler Bank AG	134.2	155.6	177.8	23.7	28.1	32.9	18.5	21.9	25.8	2.38	2.82	3.32
Applied multiples: Peer group median	1.7	1.6	1.6	13.7	12.7	11.7	22.1	15.3	14.6	24.2	18.2	16.0
<b>Enterprise value (derived)</b>	<b>230.6</b>	<b>248.9</b>	<b>275.9</b>	<b>323.9</b>	<b>356.6</b>	<b>384.4</b>	<b>408.3</b>	<b>335.6</b>	<b>374.9</b>	-	-	-
+ Excess cash and marketable securities	8.1											
- Financial debt	-13.6											
- Minority interest (estimated market value)	0.0											
<b>Market capitalization (derived)</b>	<b>225.1</b>	<b>243.5</b>	<b>270.4</b>	<b>318.5</b>	<b>351.2</b>	<b>378.9</b>	<b>402.8</b>	<b>330.2</b>	<b>369.5</b>	<b>353.4</b>	<b>315.7</b>	<b>326.8</b>
<b>Median</b>	<b>328.5</b>											
Premium (discount) vs. Peer Group	0%											
<b>Fair market capitalization (after discount)</b>	<b>328.5</b>											
Number of shares (m)	6.134											
<b>Fair value per share (EUR)</b>	<b>53.55</b>											

Discounted Cash Flow Model

EURm	PHASE 1					PHASE 2					PHASE 3
	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	∞
Sales	134.2	155.6	177.8	195.6	214.7	235.4	257.5	281.3	306.7	312.8	
YoY growth	19.5%	15.9%	14.3%	10.0%	9.8%	9.6%	9.4%	9.2%	9.0%	2.0%	
EBIT	18.5	21.9	25.8	28.9	32.1	35.5	39.3	43.3	47.7	49.1	
EBIT margin	13.8%	14.1%	14.5%	14.8%	14.9%	15.1%	15.2%	15.4%	15.6%	15.7%	
Income tax on EBIT (cash tax rate)	-5.5	-6.6	-7.7	-8.7	-9.6	-10.7	-11.8	-13.0	-14.3	-14.7	
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	-4.2	-7.5	-7.2	-3.5	-3.8	-4.1	-4.4	-4.7	-5.0	-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	
<b>Free cash flow</b>	<b>7.4</b>	<b>9.5</b>	<b>13.9</b>	<b>18.2</b>	<b>20.5</b>	<b>20.1</b>	<b>22.3</b>	<b>24.5</b>	<b>27.4</b>	<b>33.2</b>	
<b>Present values</b>	<b>7.3</b>	<b>8.6</b>	<b>11.6</b>	<b>13.9</b>	<b>14.5</b>	<b>13.1</b>	<b>13.3</b>	<b>13.5</b>	<b>13.9</b>	<b>15.5</b>	<b>251.3</b>
Present value Phase 1	27.5										
Present value Phase 2	97.7										
Present value Phase 3	251.3										
<b>Total present value</b>	<b>376.5</b>										
+ Excess cash	8.1										
- Financial debt	-13.6										
- Minority interest (estimated market value)	0.0										
<b>Fair value of equity</b>	<b>371.1</b>										
Number of shares (m)	6.134										
<b>Fair value per share (EUR)</b>	<b>60.50</b>										

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

Sensitivity analysis						
Terminal growth (Phase 3)						
		1.0%	1.5%	2.0%	2.5%	3.0%
<b>WACC</b>	<b>7.3%</b>	65.09	69.17	74.03	79.90	87.13
	<b>7.8%</b>	59.41	62.75	66.67	71.32	76.95
	<b>8.3%</b>	54.53	57.29	<b>60.50</b>	64.25	68.72
	<b>8.8%</b>	50.29	52.60	55.25	58.33	61.93
	<b>9.3%</b>	46.58	48.53	50.75	53.29	56.24

Source: Company data, Oddo Seydler Bank AG, Bloomberg

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

	Buy				Price	46.50EUR		
	Upside	22.58%			TP	57.00EUR		
	12/10	12/11	12/12	12/13	12/14	12/15e	12/16e	12/17e
<b>PER SHARE DATA (EUR)</b>								
Adjusted EPS	0.53	0.60	-0.13	0.51	0.96	2.38	2.82	3.32
<b>Reported EPS</b>	<b>0.53</b>	<b>0.60</b>	<b>-0.13</b>	<b>0.51</b>	<b>0.96</b>	<b>2.38</b>	<b>2.82</b>	<b>3.32</b>
Growth in EPS(%)	ns	13.2%	ns	ns	88.0%	ns	18.5%	17.7%
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								
Book value per share	4.43	5.01	4.81	5.34	6.29	8.67	11.49	14.81
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
<b>VALUATION</b>	<b>12/10</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
12m highest price	9.90	11.95	12.15	10.46	13.78	46.50		
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	46.50	46.50	46.50
Capitalization	48	58	55	51	68	285	285	285
Restated Net debt	9.4	11	9.7	5.9	3.9	-5.2	-16.7	-32.9
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
<b>Enterprise Value</b>	<b>60</b>	<b>72</b>	<b>67</b>	<b>57</b>	<b>72</b>	<b>281</b>	<b>270</b>	<b>254</b>
P/E (x)	15	16	ns	16	11	20	16	14
P/CF (x)								
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)								
P/B incl. GW (x)	1.78	1.88	1.86	1.55	1.75	5.37	4.05	3.14
P/B excl. GW (x)	1.78	1.88	1.86	1.55	1.75	5.37	4.05	3.14
EV/Sales (x)	0.90	0.85	0.76	0.58	0.65	2.10	1.73	1.43
EV/EBITDA (x)	5.4	6.3	8.2	7.0	5.7	12	9.6	7.7
<b>EV/EBIT (x)</b>	<b>9.4</b>	<b>11</b>	<b>21</b>	<b>14</b>	<b>9.1</b>	<b>15</b>	<b>12</b>	<b>9.8</b>
(*) historical average price								
<b>PROFIT AND LOSS (EURm)</b>	<b>12/10</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Sales	67	84	88	98	112	134	156	178
EBITDA	11	11	8.1	8.1	13	24	28	33
Depreciations	-4.7	-4.7	-4.9	-4.2	-4.8	-5.2	-6.2	-7.1
<b>Current EBIT</b>	<b>6.4</b>	<b>6.8</b>	<b>3.2</b>	<b>3.9</b>	<b>7.9</b>	<b>18</b>	<b>22</b>	<b>26</b>
Published EBIT	6.4	6.8	3.2	3.9	7.9	18	22	26
Net financial income	-1.6	-0.7	-0.9	-0.9	-0.7	-0.4	-0.5	-0.6
Corporate Tax	-1.6	-1.6	-0.4	0.1	-1.3	-3.4	-4.1	-4.8
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	15	17	20
<b>Adjusted attributable net profit</b>	<b>3.3</b>	<b>3.7</b>	<b>-0.8</b>	<b>3.1</b>	<b>5.9</b>	<b>15</b>	<b>17</b>	<b>20</b>
<b>BALANCE SHEET (EURm)</b>	<b>12/10</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
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	13	21	28
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	53	71	91
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	53	71	91
Non-current provisions	2.6	2.5	1.9	0.5	1.0	1.0	1.0	1.0
<b>Net debt</b>	<b>9.4</b>	<b>11</b>	<b>9.7</b>	<b>5.9</b>	<b>3.9</b>	<b>-5.2</b>	<b>-16.7</b>	<b>-32.9</b>
<b>CASH FLOW STATEMENT (EURm)</b>	<b>12/10</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
<b>EBITDA</b>	<b>11.1</b>	<b>11.5</b>	<b>8.1</b>	<b>8.1</b>	<b>12.7</b>	<b>23.7</b>	<b>28.1</b>	<b>32.9</b>
Change in WCR	2.0	-4.4	1.2	3.7	-3.0	-4.2	-7.5	-7.2
Interests & taxes	-1.6	-1.4	-1.5	-1.5	-1.3	-3.9	-4.6	-5.4
Others								
Operating Cash flow								
CAPEX	-7.6	-5.3	-6.5	-5.7	-6.2	-6.5	-4.5	-4.1
<b>Free cash-flow</b>								
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								
<b>GROWTH MARGINS PRODUCTIVITY</b>	<b>12/10</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Sales growth	32.6%	26.1%	4.0%	11.8%	14.5%	19.5%	15.9%	14.3%
<b>Lfi 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	ns	5.1%	-52.7%	23.5%	ns	ns	18.5%	17.7%
Growth in EPS(%)	ns	13.2%	ns	ns	88.0%	ns	18.5%	17.7%
Net margin	4.9%	4.4%	-0.9%	3.2%	5.3%	10.9%	11.1%	11.5%
<b>EBITDA margin</b>	<b>16.7%</b>	<b>13.6%</b>	<b>9.3%</b>	<b>8.3%</b>	<b>11.3%</b>	<b>17.6%</b>	<b>18.1%</b>	<b>18.5%</b>
<b>Current EBIT margin</b>	<b>9.6%</b>	<b>8.0%</b>	<b>3.6%</b>	<b>4.0%</b>	<b>7.1%</b>	<b>13.8%</b>	<b>14.1%</b>	<b>14.5%</b>
CAPEX / Sales	-11.3%	-6.2%	-7.4%	-5.8%	-5.5%	-4.8%	-2.9%	-2.3%
WCR / Sales	11.1%	14.7%	12.2%	7.0%	8.0%	9.8%	13.3%	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	3.0	3.1	3.2
<b>ROCE post-tax (normative tax rate)</b>	<b>23.5%</b>	<b>20.8%</b>	<b>11.7%</b>	<b>13.0%</b>	<b>23.6%</b>	<b>52.8%</b>	<b>56.4%</b>	<b>58.3%</b>
ROCE post-tax hors GW (normative tax rate)	23.5%	20.8%	11.7%	13.0%	23.6%	52.8%	56.4%	58.3%
ROE	12.9%	12.8%	-2.7%	10.1%	16.6%	31.8%	28.0%	25.3%
<b>DEBT RATIOS</b>	<b>12/10</b>	<b>12/11</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15e</b>	<b>12/16e</b>	<b>12/17e</b>
Gearing	34%	36%	33%	18%	10%	-10%	-24%	-36%
Net Debt / Market Cap	0.19	0.19	0.18	0.12	0.06	-0.02	-0.06	-0.12
<b>Net debt / EBITDA</b>	<b>0.84</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>
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)
21/10/15	Buy	57.00	46.50
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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