

Buy

Recommendation unchanged

Share price: EUR 86.07

closing price as of 23/01/2017

Target price: EUR 100.00

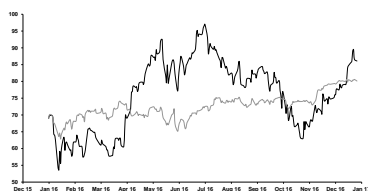
Target Price unchanged

Reuters/Bloomberg

HYQGr.DE/HYQ GR

Daily avg. no. trad. sh. 12 mth	22
Daily avg. trad. vol. 12 mth (m)	1,244.18
Price high 12 mth (EUR)	97.00
Price low 12 mth (EUR)	53.59
Abs. perf. 1 mth	15.1%
Abs. perf. 3 mth	8.3%
Abs. perf. 12 mth	24.4%
Market capitalisation (EURm)	533
Current N° of shares (m)	6
Free float	63%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	139	155	171
EBITDA (m)	25	29	33
EBITDA margin	18.0%	18.7%	19.4%
EBIT (m)	19	23	28
EBIT margin	13.9%	15.1%	16.2%
Net Profit (adj.)(m)	16	18	22
ROCE	31.1%	38.2%	46.7%
Net debt/(cash) (m)	(0)	(18)	(41)
Net Debt Equity	0.0	-0.3	-0.4
Net Debt/EBITDA	0.0	-0.6	-1.2
Int. cover(EBITDA/Fin.int)	171.8	19.3	22.1
EV/Sales	3.6	3.0	2.9
EV/EBITDA	19.9	16.0	14.9
EV/EBITDA (adj.)	19.9	16.0	14.9
EV/EBIT	25.9	19.8	17.8
P/E (adj.)	31.4	26.6	24.7
P/BV	9.5	6.8	5.8
OpFCF yield	3.9%	3.7%	4.1%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	2.56	2.92	3.49
BVPS	8.46	11.38	14.87
DPS	0.00	0.00	0.00



Source: Factset —HYPoport AG —CDAX (Rebased)

Key beneficiary of low rate environment

Hypoport (HYP) is a financial services company focusing on the distribution of real estate loans both to retail and to commercial customers. Its key product is EUROPACE, an electronic marketplace for (mortgage) loans, through which banks can better process their loan business and banks/sales organisations have access to basically all loan providers in Germany. Through its Dr. Klein branch network HYP is furthermore selling financial service products, mainly mortgage loans, to retail customers. We expect the interest rates to remain low and therefore we forecast new mortgage loan volumes to remain on high levels; furthermore HYP should be able to gain further market shares. Hence, we forecast average annual revenue growth of 16% between 2016e and 2018e, annual net profit growth should amount to 16% as well. We recommend buying the shares with a target price of EUR 100.

Valuation: Our valuation is based upon a DCF model. Thus we have derived a target price of EUR 100. Given an upside of more than 15% we recommend buying the shares with a target price of EUR 100.

Market environment should remain benign: Driven by the low interest rate environment and a positive pricing development of the German housing market which is supported by an excess demand for apartments we expect new business mortgage volumes to remain on high levels in the coming quarters. The recent upwards move in mortgage rates should not have any lasting negative impact on loan demand but we rather expect a strong Q4 as potential investors should have rushed to sign their mortgage loan contracts.

EUROPACE should win further market shares: EUROPACE is the leading independent electronic marketplace for loans, particularly mortgage loans in Germany. While Europace has an overall market share of around 15% it has only a market share of around 2% among mutual and savings banks. We expect EUROPACE to win additional new customers in the coming years as the marketplace helps customers to more efficiently process the existing loan business and to be able to offer retail customers a wider product range. Particularly the former aspect should gain in importance as banks should come more under pressure from rising regulatory requirements and revenue pressure because of the low rate environment; thus costs will more and more come into focus.

Dr. Klein in growth mode again: Dr. Klein, a financial agent network, has been underperforming in recent years due to high cancellation rates. This led to reimbursement of paid commissions from Hypoport to insurance companies which burdened the P&L. This problem has been solved and Dr. Klein is now in pole position to benefit from an expected continued strong demand for mortgage loans.

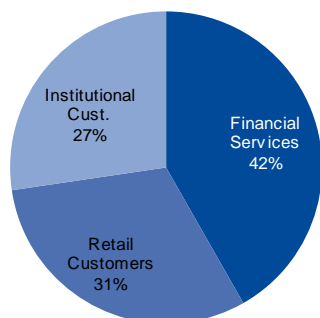
Build-up of integrated solution for insurance brokers: Early January HYP announced the acquisition of two smaller Insuretechs which should help HYP to get closer to its target of building an integrate solutions for insurance brokers, comparable to Europace.

Financials: We forecast revenue growth of 16% p.a. and net profit growth of 16% p.a. for the next two years (CAGR 2016e-2018e). Main revenues drivers should be a continued positive mortgage market, a growing market share of Hypoport both in the commercial and in the retail segment and the realization of economies of scale as particularly EUROPACE has a highly scalable business model.

Analyst(s): Philipp Häßler, CFA

+49 69 58997 414 philipp.haessler@equinet-ag.de

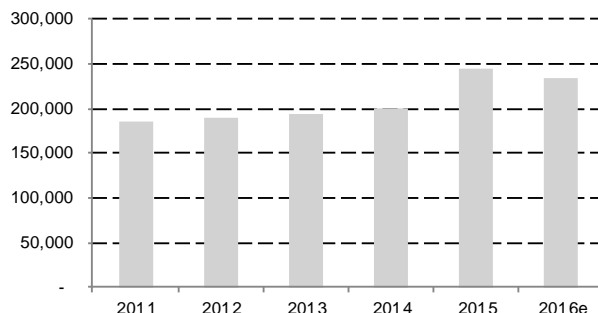
Business split



Financial Services (Europace) is Hypoport's key revenues pillar.

Source: Hypoport, equinet Research

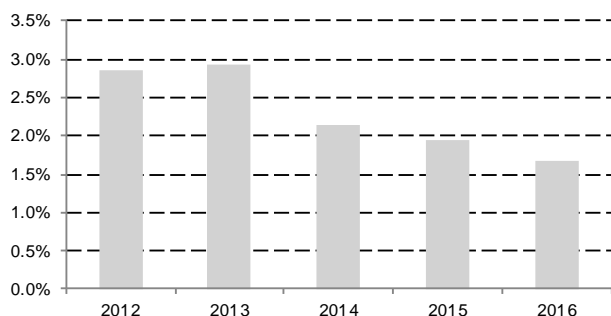
Market development (new mortgage loans in EUR m)



New mortgage loan volumes in GER have benefited from a decline in interest rates, 2016 being negatively impacted from regulation.

Source: Hypoport, equinet Research

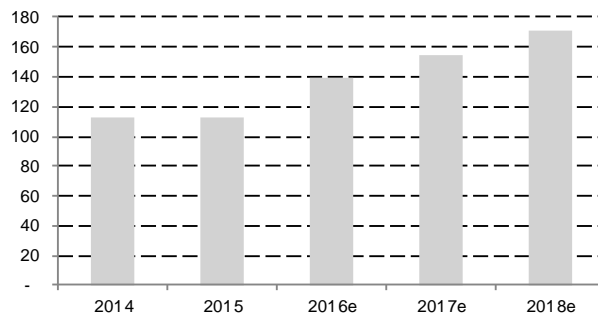
10YR Mortgage Rate development



10YR Mortgage rates on record low levels; we do not expect a sharp increase in the short term.

Source: Hypoport, equinet Research

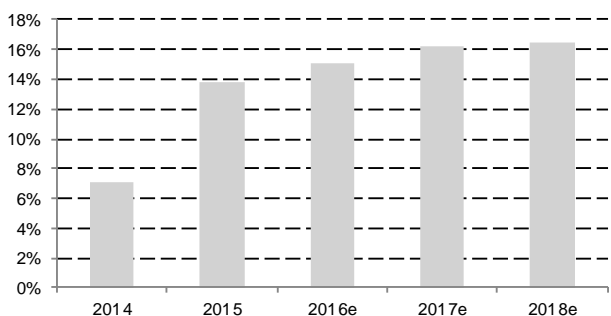
Revenues development (in EUR m)



A positive overall market development and a growing market share of Hypoport should be the main revenues drivers.

Source: Hypoport, equinet Research

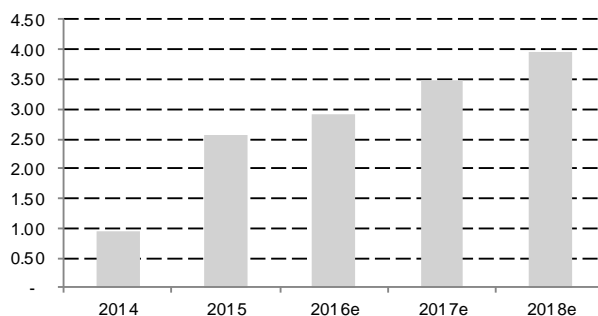
EBIT margin development



Particularly Europace's business model is highly scalable, i.e. the positive revenues dev. should result in a further margin increase.

Source: Hypoport, equinet Research

EPS development (in EUR)



We forecast EPS CAGR of 16% (2016e-'18e).

Source: Hypoport, equinet Research

Hypoport AG: Summary tables

PROFIT & LOSS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Sales	101	112	139	155	171	187
Cost of Sales & Operating Costs	0.0	0.0	0.0	0.0	0.0	0.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	8.2	12.7	25.1	28.9	33.2	36.7
EBITDA (adj.)*	8.2	12.7	25.1	28.9	33.2	36.7
Depreciation	4.2	4.8	5.8	5.5	5.5	6.0
EBITA	12.3	17.5	30.9	34.4	38.7	42.7
EBITA (adj.)*	12.3	17.5	30.9	34.4	38.7	42.7
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.0	7.9	19.3	23.4	27.7	30.7
EBIT (adj.)*	4.0	7.9	19.3	23.4	27.7	30.7
Net Financial Interest	-0.9	-0.7	-0.1	-1.5	-1.5	-1.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	3.1	7.3	19.1	21.9	26.2	29.7
Tax	0.1	1.3	3.2	3.7	4.4	5.0
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	3.0	5.9	15.9	18.1	21.6	24.5
Net Profit (adj.)	3.0	5.9	15.9	18.1	21.6	24.5
CASH FLOW (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Cash Flow from Operations before change in NWC	6.2	10.7	23.7	24.3	27.1	30.5
Change in Net Working Capital	3.9	-2.3	2.9	0.5	2.0	2.0
Cash Flow from Operations	10.1	8.4	26.7	24.8	29.1	32.5
Capex	-5.7	-6.2	-7.1	-7.0	-7.0	-7.0
Net Financial Investments	-1.4	-1.2	-6.9	2.8	2.1	2.1
Free Cash Flow	3.0	1.1	12.7	20.6	24.2	27.6
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-1.2	-1.1	-3.6	-2.3	-2.0	-2.0
Change in Net Debt	1.8	0.0	9.1	18.3	22.2	25.6
NOPLAT	2.8	5.6	13.5	16.4	19.4	21.5
BALANCE SHEET & OTHER ITEMS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Tangible Assets	2.3	2.2	2.6	1.1	-0.4	-1.9
Net Intangible Assets (incl. Goodwill)	29.6	31.0	31.9	33.9	35.9	37.4
Net Financial Assets & Other	0.1	0.1	0.0	1.0	2.0	3.0
Total Fixed Assets	31.9	33.3	34.5	36.0	37.5	38.5
Cash (-)	-11.5	-12.0	-24.8	-45.3	-69.5	-97.1
Shareholders Equity	32.8	38.6	52.4	70.5	92.1	117
Minority	0.3	0.3	0.3	0.4	0.5	0.6
Total Equity	33.1	38.9	52.7	70.9	92.6	117
Long term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	-5.5	-1.6	-5.7	-4.6	-4.6	-4.6
Total Long Term Liabilities	-5.5	-1.6	-5.7	-4.6	-4.6	-4.6
Short term interest bearing debt	20.6	21.1	24.7	27.0	29.0	31.0
Net Working Capital	4.7	8.9	8.9	8.0	6.0	4.0
GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
<i>Sales growth</i>	<i>15.2%</i>	<i>11.1%</i>	<i>23.7%</i>	<i>11.5%</i>	<i>10.5%</i>	<i>9.0%</i>
EBITDA (adj.)* growth	0.3%	55.7%	97.5%	15.4%	14.6%	10.5%
<i>EBITA (adj.)* growth</i>	<i>-5.5%</i>	<i>41.4%</i>	<i>76.9%</i>	<i>11.5%</i>	<i>12.3%</i>	<i>10.3%</i>
<i>EBIT (adj.)* growth</i>	<i>24.1%</i>	<i>100.1%</i>	<i>142.7%</i>	<i>21.7%</i>	<i>18.0%</i>	<i>10.8%</i>

Hypoport AG: Summary tables

GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Profit growth	n.m.	97.0%	168.1%	14.1%	19.3%	13.4%
EPS adj. growth	n.m.	97.0%	168.1%	14.1%	19.3%	13.4%
DPS adj. growth						
EBITDA (adj)* margin	8.1%	11.3%	18.0%	18.7%	19.4%	19.6%
EBITA (adj)* margin	12.2%	15.5%	22.2%	22.2%	22.6%	22.9%
EBIT (adj)* margin	3.9%	7.1%	13.9%	15.1%	16.2%	16.4%
RATIOS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Debt/Equity	0.3	0.2	0.0	-0.3	-0.4	-0.6
Net Debt/EBITDA	1.1	0.7	0.0	-0.6	-1.2	-1.8
Interest cover (EBITDA/Fin.interest)	9.3	18.5	n.m.	19.3	22.1	36.7
Capex/D&A	-136.7%	-129.8%	-121.3%	-127.3%	-127.3%	-116.7%
Capex/Sales	5.7%	5.5%	5.1%	4.5%	4.1%	3.8%
NWC/Sales	4.7%	8.0%	6.4%	5.2%	3.5%	2.1%
ROE (average)	9.6%	16.6%	34.9%	29.5%	26.6%	23.5%
ROCE (adj.)	7.6%	13.2%	31.1%	38.2%	46.7%	54.4%
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
ROCE (adj.)/WACC	1.0	1.7	4.0	4.9	6.0	7.0
PER SHARE DATA (EUR)***	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Average diluted number of shares	6.2	6.2	6.2	6.2	6.2	6.2
EPS (reported)	0.49	0.96	2.56	2.92	3.49	3.96
EPS (adj.)	0.49	0.96	2.56	2.92	3.49	3.96
BVPS	5.29	6.23	8.46	11.38	14.87	18.83
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
EV/Sales	0.7	0.8	3.6	3.0	2.9	2.5
EV/EBITDA	8.5	6.7	19.9	16.0	14.9	12.7
EV/EBITDA (adj.)*	8.5	6.7	19.9	16.0	14.9	12.7
EV/EBITA	5.6	4.8	16.1	13.5	12.7	11.0
EV/EBITA (adj.)*	5.6	4.8	16.1	13.5	12.7	11.0
EV/EBIT	17.4	10.7	25.9	19.8	17.8	15.2
EV/EBIT (adj.)*	17.4	10.7	25.9	19.8	17.8	15.2
P/E (adj.)	19.9	12.7	31.4	26.6	24.7	21.7
P/BV	1.8	2.0	9.5	6.8	5.8	4.6
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	1.9	2.0	11.5	10.8	11.9	11.8
OpFCF yield	7.3%	3.0%	3.9%	3.7%	4.1%	4.8%
OpFCF/EV	6.3%	2.6%	3.9%	3.8%	4.5%	5.5%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Price** (EUR)	9.65	12.16	80.50	77.75	86.07	86.07
Outstanding number of shares for main stock	6.2	6.2	6.2	6.2	6.2	6.2
Total Market Cap	60	75	499	482	533	533
Net Debt	9	9	0	-18	-41	-66
<i>o/w Cash & Marketable Securities (-)</i>	<i>-12</i>	<i>-12</i>	<i>-25</i>	<i>-45</i>	<i>-70</i>	<i>-97</i>
<i>o/w Gross Debt (+)</i>	<i>21</i>	<i>21</i>	<i>25</i>	<i>27</i>	<i>29</i>	<i>31</i>
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)	69	85	499	464	493	467

Source: Company, equinet Bank estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Financial Services Industrials/FinSvcs Industrials

Company Description: Hypoport is a financial service provider focusing on real estate loans. Key product is the Europace platform which is an internet based platform enabling banks on the one hand to more efficiently process their mortgage basis and on the other hand to get access to more than 250 product partners.