

Hypoport AG

Neutral ↘ | Target 139.00 EUR

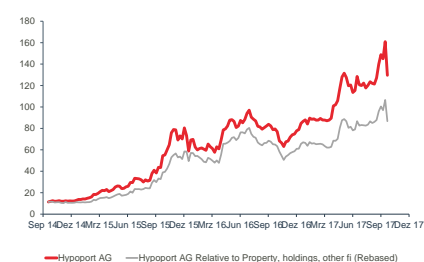
Price (20/10/2017) : 129.60 EUR | Upside : 7 %

Est.chg	2017e	2018e
EPS	-4.2%	0.0%

Q3 EBIT below prior year due to weakened business and higher expenses in the Institutional Clients segment – but we see no structural problem

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Source : Oddo BHF Securities, Fininfo

Capital

HYQ GY HYQGn.DE	
Market Cap (EURm)	779
Enterprise value (EURm)	761
Extrema 12 months	63.06 - 161.0
Free Float (%)	56.1

Performance (%)	1m	3m	12m
Absolute	-0.3	4.2	59.9
Perf. rel. Country Index	-2.4	2.6	41.1
Perf. rel. Property, holding	-2.6	2.4	30.5

P&L

	12/17e	12/18e	12/19e
Sales (EURm)	193	218	242
EBITDA (EURm)	33.0	38.5	43.2
Current EBIT (EURm)	25.5	30.2	34.1
Attr. net profit (EURm)	20.8	24.7	28.0
Adjusted EPS (EUR)	3.38	4.03	4.56
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	38.3	32.2	28.4
P/B (x)	9.4	7.3	5.8
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.2	2.3	2.7
EV/Sales (x)	4.04	3.49	3.06
EV/EBITDA (x)	23.6	19.8	17.1
EV/Current EBIT (x)	30.6	25.2	21.7
Gearing (%)	-25	-36	-44
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

Date	Event
30.10.2017	Q3 Results

Preliminary Q3 EBIT below prior year

According to preliminary figures, the group's Q3 2017 sales were in a range of € 47.7-48.7m (+19.9%-22.4% yoy). EBIT came in at slightly above € 5m and was thus below the Q3 2016 EBIT level of € 5.9m. This was due to 1) lower revenue in the Institutional Clients business unit and 2) higher expenses related to the digitalisation of this unit and to the expansion of the sales network. In the Institutional Clients business unit, preliminary sales were nearly € 4m in Q3 2017 (Q3 2016: € 4.0m) and EBIT was c.€ 0.5m (Q3 2016: € 1.4m). The three other business units were not affected by the above-mentioned factors, and showed solid and in some cases even very strong performances.

Institutional Clients: Apparently not a structural problem

We do not see any structural problems for Hypoport (HYQ). The Institutional Clients segment is a volatile business, as it is driven by a much lower number of much larger individual transactions than the other businesses of the group. Thus, after several strong quarters at this business unit, a temporary downturn was bound to come sooner or later. This is normal, and such volatile developments have occurred frequently the past. HYQ serves a limited number of clients (e.g. public institutions) in this segment, which obviously had shown strong demand in the previous quarters, so that their financing needs might have been partly satisfied in Q3. Furthermore, some clients might have adopted a wait-and-see attitude in the run-up to the German elections.

Credit Platform: Slow-down in market growth and transaction volumes

Hypoport's share price had already come under pressure after it reported the 9M transaction volumes for its Credit Platform (Europace). According to the Bundesbank, the total market for mortgage finance in the period January to August 2017 only expanded by about 1%. The rate of growth in transaction volume on Europace (incl. FINMAS and GENOPACE) slowed overall to 4.3% in Q3 vs ~12% in H1 2017. For 9M 2017, this growth rate stood at 9.6% yoy. Transaction volume per sales day was down slightly qoq in Q3 2017 to € 190m (Q2 2017: € 199m; Q3 2016: € 179m). According to HYQ, the slowdown in growth mainly resulted from weaker demand coming via non-public banks, while demand remained strong from the sub-marketplaces GENOPACE and FINMAS and neutral financial advisors. This development reflects the challenging overall interest-rate and regulatory environment. We emphasise, however, that 4.3% is still a strong outperformance of market growth.

Slightly lowered 2017 estimates

Due to the performance in the Institutional Clients business, we have slightly lowered our 2017e sales estimate by € 1.5m to € 192.7m and our 2017e EBIT estimate by € 1.0m to € 25.5. We currently assume that the announced digitalisation and the expansion of the sales network in the Institutional Clients business unit will still weigh on the margin in this segment in Q4 2017, but that the EBIT margin of this business will return to its previous strength in the following years. We even assume that the announced digitalisation will result in cost reduction going forward, and that the expansion of the sales network might also make the business more stable in the future. Our estimates for 2018-19e remain unchanged.

Downgrade to Neutral

Hypoport's investment case remains intact: Proven, profitable, and still strongly expanding business models in combination with a very promising InsurTech growth story. The share price, however, has recently been a bit stretched. We thus downgrade from Buy to Neutral.

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HYQGN.DE | HYQ GY
Financial Services | Germany

	Neutral					Price 129.60EUR		
	Upside	7.25%				TP 139.00EUR		
	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
PER SHARE DATA (EUR)								
Adjusted EPS	-0.13	0.51	0.96	2.63	3.00	3.38	4.03	4.56
Reported EPS	-0.13	0.51	0.96	2.63	3.00	3.38	4.03	4.56
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	12.7%	19.2%	13.2%
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	0.20	0.67	0.37	3.24	1.50	1.59	2.96	3.45
Book value per share	4.81	5.34	6.29	8.68	10.62	13.78	17.81	22.37
Number of shares market cap	6.16	6.14	6.14	6.04	6.01	6.14	6.14	6.14
Number of diluted shares	6.16	6.14	6.14	6.04	6.01	6.14	6.14	6.14
VALUATION	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
12m highest price	12.15	10.46	13.78	80.50	97.00	161		
12m lowest price	6.95	7.03	8.67	12.16	53.59	77.48		
(*) Reference price	8.94	8.27	11.01	33.28	75.07	130	130	130
Capitalization	55.1	50.7	67.6	201	451	795	795	795
Restated Net debt	9.7	5.9	3.9	-13.5	-11.7	-21.5	-39.6	-60.8
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	1.9	0.5	1.0	2.1	10.9	4.9	4.9	4.9
Enterprise Value	66.7	57.1	72.5	190	451	779	761	740
P/E (x)	ns	16.1	11.4	12.7	25.0	38.3	32.2	28.4
P/CF (x)	58.8	5.2	4.4	5.7	16.0	28.6	24.8	22.0
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	2.3%	8.1%	3.3%	9.7%	2.0%	1.2%	2.3%	2.7%
P/B incl. GW (x)	1.86	1.55	1.75	3.84	7.07	9.40	7.28	5.79
P/B excl. GW (x)	1.86	1.55	1.75	3.84	7.07	9.40	7.28	5.79
EV/Sales (x)	0.76	0.58	0.65	1.36	2.88	4.04	3.49	3.06
EV/EBITDA (x)	8.2	7.0	5.7	7.6	15.9	23.6	19.8	17.1
EV/EBIT (x)	20.9	14.5	9.1	9.8	19.4	30.6	25.2	21.7
(*) historical average price								
PROFIT AND LOSS (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales	88	98	112	139	157	193	218	242
EBITDA	8.1	8.1	12.7	25.1	28.3	33.0	38.5	43.2
Depreciations	-4.9	-4.2	-4.8	-5.8	-5.1	-7.5	-8.3	-9.1
Current EBIT	3.2	3.9	7.9	19.3	23.2	25.5	30.2	34.1
Published EBIT	3.2	3.9	7.9	19.3	23.2	25.5	30.2	34.1
Net financial income	-0.9	-0.9	-0.7	-0.1	-0.4	-0.5	-0.4	-0.4
Corporate Tax	-0.4	0.1	-1.3	-3.2	-4.8	-4.3	-5.1	-5.7
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)	-2.8	0.0	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	-0.8	3.1	5.9	15.9	18.0	20.8	24.7	28.0
Adjusted attributable net profit	-0.8	3.1	5.9	15.9	18.0	20.8	24.7	28.0
BALANCE SHEET (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	27.7	29.6	31.0	31.9	41.7	27.5	25.4	23.0
Tangible fixed assets	2.6	2.2	2.2	2.6	2.6	2.3	2.0	1.6
WCR	10.7	6.9	9.0	4.9	10.8	24.8	33.7	43.3
Financial assets	0.5	0.8	1.6	1.9	2.3	2.3	2.3	2.3
Ordinary shareholders equity	29.6	32.8	38.6	52.4	63.8	84.6	109	137
Minority interests	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Shareholders equity	29.8	33.1	38.9	52.7	64.1	84.9	110	138
Non-current provisions	1.9	0.5	1.0	2.1	4.9	4.9	4.9	4.9
Net debt	9.7	5.9	3.9	-13.5	-11.7	-21.5	-39.6	-60.8
CASH FLOW STATEMENT (EURm)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
EBITDA	8.1	8.1	12.7	25.1	28.3	33.0	38.5	43.2
Change in WCR	1.2	3.7	-3.0	2.9	-7.5	-14.0	-9.0	-9.6
Interests & taxes	-1.5	-1.5	-1.3	-2.9	-3.4	-4.7	-5.4	-6.1
Others	-0.1	-0.5	0.0	1.6	-0.7	-0.4	-1.0	-1.0
Operating Cash flow	7.8	9.9	8.4	26.7	16.7	13.9	23.1	26.6
CAPEX	-6.5	-5.7	-6.2	-7.1	-7.7	-4.1	-4.9	-5.4
Free cash-flow	1.2	4.1	2.2	19.6	9.0	9.8	18.2	21.2
Acquisitions / disposals	0.1	0.0	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	-0.6	0.0	0.0	-2.3	-6.9	0.0	0.0	0.0
Others	0.4	-1.4	-1.2	-4.6	3.5	-1.1	-1.1	-1.1
Change in net debt	0.7	4.2	1.9	17.3	-3.4	9.8	18.2	21.2
GROWTH MARGINS PRODUCTIVITY	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Sales growth	4.0%	11.8%	14.5%	23.7%	12.7%	23.0%	13.1%	10.8%
Lfl sales growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current EBIT growth	-52.7%	23.5%	ns	ns	20.6%	9.6%	18.5%	13.0%
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	12.7%	19.2%	13.2%
Net margin	-0.9%	3.2%	5.3%	11.4%	11.5%	10.8%	11.4%	11.6%
EBITDA margin	9.3%	8.3%	11.3%	18.0%	18.1%	17.1%	17.7%	17.9%
Current EBIT margin	3.6%	4.0%	7.1%	13.9%	14.8%	13.2%	13.8%	14.1%
CAPEX / Sales	-7.4%	-5.8%	-5.5%	-5.1%	-4.9%	-2.1%	-2.2%	-2.2%
WCR / Sales	12.2%	7.0%	8.0%	3.5%	6.9%	12.8%	15.5%	17.9%
Tax Rate	16.9%	-3.3%	18.2%	16.9%	20.8%	17.0%	17.0%	17.0%
Normative tax rate	-53.2%	-31.1%	-20.1%	-28.3%	-30.3%	-25.8%	22.2%	ns
Asset Turnover	2.1	2.5	2.8	3.4	3.3	3.5	3.8	3.7
ROCE post-tax (normative tax rate)	11.7%	13.0%	23.6%	60.6%	64.1%	58.4%	40.6%	ns
ROCE post-tax hors GW (normative tax rate)	11.7%	13.0%	23.6%	60.6%	64.1%	58.4%	40.6%	ns
ROE	-2.7%	10.1%	16.6%	34.9%	31.0%	28.0%	25.5%	22.7%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Gearing	33%	18%	10%	-26%	-18%	-25%	-36%	-44%
Net Debt / Market Cap	0.18	0.12	0.06	-0.07	-0.03	-0.03	-0.05	-0.08
Net debt / EBITDA	1.20	0.72	0.31	ns	ns	ns	ns	ns
EBITDA / net financial charges	ns	ns	ns	ns	ns	ns	ns	ns

Source: ODDO BHF Securities, Fininfo



• **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 BHF' 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.

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• **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).

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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
23.10.17	Neutral	139.00	129.60	Martin Decot
21.06.17	Buy	139.00	123.05	Dr. Oliver Pucker, CFA

Recommendation split				
		Buy	Neutral	Reduce
Our whole coverage	(423)	46%	42%	12%
Liquidity providers coverage	(148)	40%	53%	7%
Research service coverage	(58)	52%	47%	2%
Investment banking services	(47)	62%	30%	9%

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