

Hypoport AG

Neutral → | Target 139.00 EUR

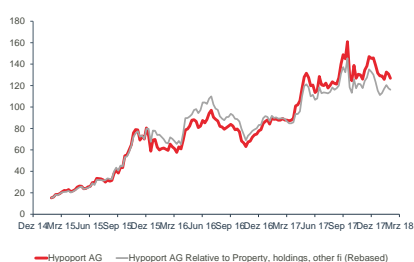
Price (01/03/2018) : 126.80 EUR | Upside : 10 %

Est.chg	2017e	2018e
EPS	-8.7%	0.0%

Only flat EBIT in full year 2017 mainly due to weakness in the Institutional Clients segment and to investments in future growth

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Source : Oddo BHF Securities, Fininfo

Capital

HYQ GY HYQGn.DE	
Market Cap (EURm)	762
Enterprise value (EURm)	746
Extrema 12 months	85.94 - 161.0
Free Float (%)	56.1

Performance (%)	1m	3m	12m
Absolute	-2.5	0.6	42.2
Perf. rel. Country Index	2.4	3.1	42.5
Perf. rel. Property, holding	3.4	-1.3	29.2

P&L	12/17e	12/18e	12/19e
Sales (EURm)	194	218	242
EBITDA (EURm)	30.3	38.5	43.2
Current EBIT (EURm)	23.2	30.2	34.1
Attr. net profit (EURm)	18.3	24.7	28.0
Adjusted EPS (EUR)	3.09	4.03	4.56
Dividend (EUR)	0.00	0.00	0.00

P/E (x)	36.9	31.5	27.8
P/B (x)	8.2	7.3	5.8
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.1	2.4	2.7
EV/Sales (x)	3.41	3.42	3.00
EV/EBITDA (x)	21.9	19.4	16.8
EV/Current EBIT (x)	28.5	24.7	21.3
Gearing (%)	-23	-35	-43
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

26.03.2018	FY Results
03.05.2018	Q1 Results
04.05.2018	Annual General meeting
06.08.2018	H1 Results

Preliminary 2017 figures

According to preliminary figures released today (02 March), Hypoport's group 2017 sales reached ~€ 194m (+24% yoy), slightly above our estimate (€ 192.6m) and in line with its guidance (double digit yoy growth). Group **consolidated EBIT** was only flat (c. € 23.2m) however, and thus below our estimate (€ 25.5m) and the guidance (+10%, circa € 25.6m). The **segment EBIT figures (see below)** nevertheless look rather close to our estimates, but this might turn out to be somewhat misleading, as Hypoport reported only rounded figures. We assume that the negative amount from consolidation / reconciliation, which has to be deducted from the total of the segment EBIT figures, was also higher than expected (2016: € -5.2m according to the old segmentation). Please note that we still cannot show exact segment sales and EBIT figures for 2016 because Hypoport changed its segment reporting in 2017 for all segments except Institutional Clients, and today the company only reported the yoy sales and EBIT growth rates.

Segments figures (only rounded figures available):

Credit Platform: Sales: € 77m (+17% yoy); EBIT: € 15m (+13% yoy).
Private Clients: Sales: € 82 (+23% yoy); EBIT: € 12m (+27% yoy).
Institutional Clients: Sales: € 19m (+4% yoy); EBIT: € 5m (c. -21% yoy).
Insurance Platform: Sales: € 15m; EBIT: € -1m (yoy growth: n.a.).

According to Hypoport, its failure to meet its guidance was mainly due to slower revenue growth in the Institutional Clients business unit and higher expenses in connection with the digitalisation and the expansion of the sales network in this unit. The three other business units, however, showed solid and in some cases even very strong performances.

Guidance miss per se not a real surprise to us, but the magnitude was

In our last update on Hypoport (issued on 15 January 2018), we had already warned that an assumed ongoing weakness in the Institutional Clients (IC) segment in Q4 2017 as well as a further increase in the personnel cost ratio (9M 2017: +120bps yoy) could jeopardise the group's double-digit earnings growth for the full year and thus management's guidance. Since management stuck to its guidance, however, **we assumed that EBIT growth would come in only slightly below 10%**. Thus, the company's flat EBIT was disappointing. Nevertheless, we assume the IC business will return to stronger profitability in the future, and that Hypoport's continuous recruiting of qualified IT staff has to be seen as an investment in its future competitiveness.

Awaiting the 2018 guidance, we maintain Neutral

Awaiting the exact 2017 figures and the guidance for 2018e, we leave our estimates for 2018-19e as well as our target price unchanged and maintain our **Neutral** rating.

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Financial Services | Germany

	Neutral					Price 126.80EUR			
	Upside	9.62%					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	3.09	4.03	4.56	
Reported EPS	-0.13	0.51	0.96	2.63	3.00	3.09	4.03	4.56	
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	2.9%	30.6%	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	1.20	3.00	3.45	
Book value per share	4.81	5.34	6.29	8.68	10.62	13.83	17.42	21.98	
Number of shares market cap	6.16	6.14	6.14	6.04	6.01	5.94	6.14	6.14	
Number of diluted shares	6.16	6.14	6.14	6.04	6.01	5.94	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	148		
12m lowest price	6.95	7.03	8.67	12.16	53.59	77.48	124		
(*) Reference price	8.94	8.27	11.01	33.28	75.07	114	127	127	
Capitalization	55.1	50.7	67.6	201	451	676	778	778	
Restated Net debt	9.7	5.9	3.9	-13.5	-11.7	-18.8	-37.2	-58.4	
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	662	746	725	
P/E (x)	ns	16.1	11.4	12.7	25.0	36.9	31.5	27.8	
P/CF (x)	58.8	5.2	4.4	5.7	16.0	26.6	24.3	21.5	
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%	1.1%	2.4%	2.7%	
P/B incl. GW (x)	1.86	1.55	1.75	3.84	7.07	8.23	7.28	5.77	
P/B excl. GW (x)	1.86	1.55	1.75	3.84	7.07	8.23	7.28	5.77	
EV/Sales (x)	0.76	0.58	0.65	1.36	2.88	3.41	3.42	3.00	
EV/EBITDA (x)	8.2	7.0	5.7	7.6	15.9	21.9	19.4	16.8	
EV/EBIT (x)	20.9	14.5	9.1	9.8	19.4	28.5	24.7	21.3	
(*) 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	194	218	242	
EBITDA	8.1	8.1	12.7	25.1	28.3	30.3	38.5	43.2	
Depreciations	-4.9	-4.2	-4.8	-5.8	-5.1	-7.1	-8.3	-9.1	
Current EBIT	3.2	3.9	7.9	19.3	23.2	23.2	30.2	34.1	
Published EBIT	3.2	3.9	7.9	19.3	23.2	23.2	30.2	34.1	
Net financial income	-0.9	-0.9	-0.7	-0.1	-0.4	-0.1	-0.4	-0.4	
Corporate Tax	-0.4	0.1	-1.3	-3.2	-4.8	-4.7	-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	18.3	24.7	28.0	
Adjusted attributable net profit	-0.8	3.1	5.9	15.9	18.0	18.3	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	25.0	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	82.2	107	135	
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	82.5	107	135	
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	-18.8	-37.2	-58.4	
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	30.3	38.5	43.2	
Change in WCR	1.2	3.7	-3.0	2.9	-7.5	-14.2	-8.7	-9.6	
Interests & taxes	-1.5	-1.5	-1.3	-2.9	-3.4	-4.9	-5.4	-6.1	
Others	-0.1	-0.5	0.0	1.6	-0.7	0.0	-1.0	-1.0	
Operating Cash flow	7.8	9.9	8.4	26.7	16.7	11.2	23.3	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	7.1	18.4	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	7.1	18.4	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%	23.9%	12.3%	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%	-0.2%	30.0%	13.0%	
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	2.9%	30.6%	13.2%	
Net margin	-0.9%	3.2%	5.3%	11.4%	11.5%	9.5%	11.4%	11.6%	
EBITDA margin	9.3%	8.3%	11.3%	18.0%	18.1%	15.6%	17.7%	17.9%	
Current EBIT margin	3.6%	4.0%	7.1%	13.9%	14.8%	12.0%	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%	12.9%	15.5%	17.9%	
Tax Rate	16.9%	-3.3%	18.2%	16.9%	20.8%	20.5%	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%	53.1%	40.5%	ns	
ROCE post-tax hors GW (normative tax rate)	11.7%	13.0%	23.6%	60.6%	64.1%	53.1%	40.5%	ns	
ROE	-2.7%	10.1%	16.6%	34.9%	31.0%	25.1%	26.2%	23.2%	
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e	
Gearing	33%	18%	10%	-26%	-18%	-23%	-35%	-43%	
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



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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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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).

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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
15.01.18	Neutral	139.00	131.60	Martin Decot
30.10.17	Buy	139.00	124.25	Martin Decot
23.10.17	Neutral	139.00	120.75	Martin Decot

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		Buy	Neutral	Reduce
Our whole coverage	(409)	50%	40%	10%
Liquidity providers coverage	(133)	40%	53%	7%
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