

Strong Europace figures for Q4

This morning Europace has reported strong Q4 transaction figures. Total transaction volume was up by 27% yoy to EUR 15.1bn, mortgage finance volume was up by 28% yoy to EUR 11.9bn. Like in previous quarters FINMAS and GENOPACE, the joint ventures with the savings and mutual banking sector, were particular growth drivers. For the full year Europace managed to increase its mortgage finance transaction volume by 18% yoy to EUR 44.9bn. This compares to a market growth by 5% (based upon new mortgage finance volume figures published by the Bundesbank for Jan-Nov 2018), i.e. Hypoport managed to further increase its market share in 2018.

All in all another set of strong figures from Europace which supports our Buy recommendation with a target price of EUR 190.0 for the shares.

Growth acceleration vs. Q4

In the first 9 months Europace had increased its transaction volume by 18% yoy to EUR 42.8bn; for the full year the growth stood at 20% yoy. Transaction volume per sales day increased by 20% yoy to EUR 232m in 2018. The mortgage finance volume was up by 18% yoy in 2018, after 9M growth has stood at 15% yoy. Building finance volume was up by 25% yoy in Q4 and personal loans volume was up by 24% yoy.

FINMAS and GENOPACE with strong performance

FINMAS, the joint venture with the savings banks, managed to increase its full-year transaction volume by 74% yoy to EUR 4.2bn; Q4 growth stood at 86% yoy, the highest growth rate in 2018. GENOPACE, the joint venture with the mutual banks, reached a full-year growth of 38% yoy; in Q4 the growth rate amounted to 67% yoy, the highest growth rate in 2018 as well.

Investment Case

We recommend buying the shares with a target price of EUR 190.0 as we forecast strong earnings growth for the next two years (2018e-2020e EPS CAGR of 26%). Driven by the real estate platform for institutional clients and the newly launched insurance platform revenues should grow at least double-digit in the next years. Importantly, Hypoport should be relatively immune against the current negative macroeconomic/political market environment.

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