



Hold

from Buy

Share price: EUR 8.70

closing price as of 05/11/2012

Target price: EUR 9.00

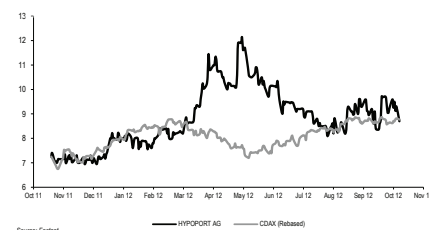
from Target Price: EUR **11.50**

Reuters/Bloomberg

HYQGN.DE/HYQ GR

Market capitalisation (EURm)	54
Current N° of shares (m)	6
Free float	43%
Daily avg. no. trad. sh. 12 mth	2,569
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	12.15
Price low 12 mth (EUR)	6.95
Abs. perf. 1 mth	-2.79%
Abs. perf. 3 mth	-4.40%
Abs. perf. 12 mth	12.84%

Key financials (EUR)	12/11	12/12e	12/13e
Sales (m)	84	90	101
EBITDA (m)	11	10	12
EBITDA margin	13.1%	11.3%	11.9%
EBIT (m)	6	5	6
EBIT margin	7.0%	5.3%	6.1%
Net Profit (adj.)(m)	4	3	3
ROCE	9.6%	7.3%	8.9%
Net debt/(cash) (m)	16	15	14
Net Debt/Equity	0.5	0.5	0.4
Debt/EBITDA	1.4	1.5	1.2
Int. cover(EBITDA/Fin. int)	13.7	8.5	10.0
EV/Sales	0.7	0.8	0.7
EV/EBITDA	5.4	6.8	5.7
EV/EBITDA (adj.)	5.4	6.8	5.7
EV/EBIT	10.2	14.6	11.1
P/E (adj.)	12.0	21.5	15.5
P/BV	1.4	1.6	1.5
OpFCF yield	-2.5%	-0.3%	1.5%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.60	0.40	0.56
BVPS	5.01	5.42	5.98
DPS	0.00	0.00	0.00



Shareholders: Slabke 35%; Kretschmar 13%; Deutsche Bank 10%;

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Downgrade to Hold following weak Q3 results

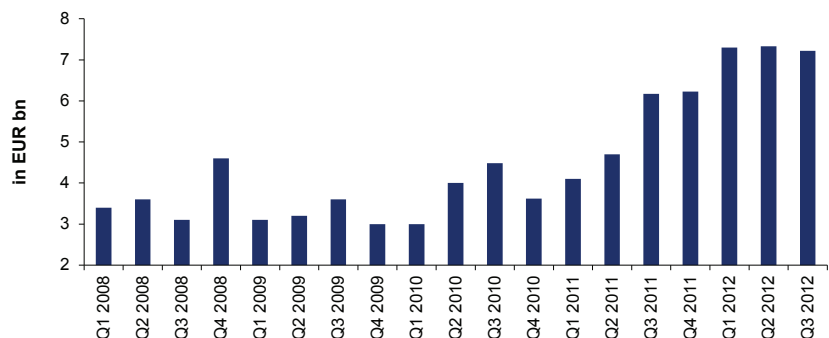
The facts: Following weak Q3 results we revise our earnings estimates for 2012e and 2013e and downgrade the shares from Buy to Hold with a new target price of EUR 9.00 (EUR 11.50) as we do not see any share price triggers ahead.

Our analysis:

Q3 results negatively impacted from lower insurance sales: Main reason for the weak Q3 performance was lower insurance sales in the private clients unit, mainly lower health insurance sales due to lower provision payments. Additionally the distribution of life insurance policies and banking products (mainly money accounts) has become much more difficult, given the low interest rate environment. These negative drivers should not improve in the short term.

Europace with 17% increase of transaction volumes: Europace has increased its transaction volumes by 17% yoy to EUR 7.2bn in Q3 '12. Negatively, revenues increased by only 3% yoy to EUR 6.3m which is equivalent to a margin of 9 basis points, slightly below the Q3 '12 level (10 basis points). EBIT margin amounted to 8.9% in Q3 which is 3.5%-pts. above the Q3 '11 level (unchanged qoq). However, with an EBIT margin of below 10% profitability remains on a somewhat disappointing level, in our view as this business should be highly scalable and double-digit EBIT margins should be easily reachable.

Europace transaction volume (Sources: Hypoport, equinet)



EPS revision: We reduce our EPS estimates from EUR 0.77 to EUR 0.40 and from EUR 0.98 to EUR 0.56 for 2012e and 2013e, respectively as we have become more cautious regarding future earnings development.

Valuation: With a 2014e PER of 11x we see the shares as fairly valued on the current share price levels. This compares e.g. with a 2014e PER of 8x for MLP, Hypoport's closest (listed) peer.

Conclusion & Action: The story remains attractive in the midterm but as we do not see any share price triggers ahead we downgrade the shares from Buy to Hold with a new TP of EUR 9.00 (EUR 11.50). In the midterm Hypoport should be able to further increase transaction volumes that are conducted via Europace and to increase profitability. Additionally the private clients business should be an important growth driver in the midterm as Hypoport should be able to benefit from the increased number of consultants and a growing demand for insurance products.