

Hypoport AG

Buy → | Target 139.00 EUR

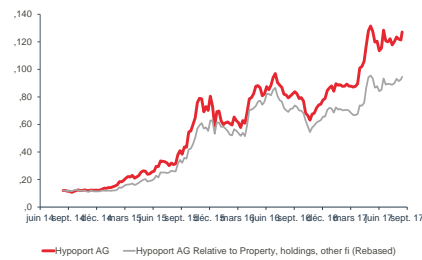
Price (12/09/2017) : 127.15 EUR | Upside : 9 %

Est.chg	2017e	2018e
EPS	-	-

Roadshow confirmed strong investment case

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Source : Oddo BHF Securities, Fininfo

Capital	
HYQ GY HYQGn.DE	
Market Cap (EURm)	765
Enterprise value (EURm)	745
Extrema 12 months	63.06 - 132.5
Free Float (%)	56.1

Performance (%)	1m	3m	12m
Absolute	8.0	6.0	61.5
Perf. rel. Country Index	5.4	7.5	44.9
Perf. rel. Property, holding	6.4	6.5	35.9

P&L	12/17e	12/18e	12/19e
Sales (EURm)	194	218	242
EBITDA (EURm)	34.1	38.5	43.2
Current EBIT (EURm)	26.5	30.2	34.1
Attr. net profit (EURm)	21.7	24.7	28.0
Adjusted EPS (EUR)	3.53	4.03	4.56
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	36.0	31.5	27.9
P/B (x)	9.1	7.1	5.6
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	1.3	2.4	2.7
EV/Sales (x)	3.93	3.42	3.00
EV/EBITDA (x)	22.4	19.3	16.7
EV/Current EBIT (x)	28.8	24.7	21.2
Gearing (%)	-26	-37	-45
Net Debt/EBITDA(x)	ns	ns	ns

Next Events	
30/10/2017	Q3 Results

Management's statements underpin our positive view of Hypoport

Yesterday, we accompanied Hypoport's management on a roadshow in Brussels. The roadshow created a lot of interest for investors, and management's statements confirmed our positive view on the stock (Buy, TP € 139.00).

Equity story intact

We continue to assume that earnings should benefit mid-term from i/ structural trends supporting the German housing market, ii/ the strong position of Hypoport's credit platform Europace, which is attracting increasing volume, thereby leading to market share growth and rising economies of scale, and iii/ a highly scalable business model. Additional growth opportunities especially arise from Hypoport's new business segment 'Insurance Platform'. Hypoport has recently taken the role of a market consolidator in the field of InsurTech and sees great market potential in replacing the inefficient and complex software environment of insurance brokers by its comprehensive state-of-the-art solution.

Key takeaways

- Management confirmed that all of Hypoport's business models are on track.
- We do not see any signs that Q3 might not meet expectations.
- According to the company, its relatively new insurance platform meets a lot of interest in the market.
- Hypoport will continue to act as a market consolidator in the field of insurance fintech and will continue to integrate software components and client bases of further acquisitions into its platform. Management stated that the acquisition pipeline is filled, and that we can expect further takeovers this year.
- Growth in the insurance platform will be fuelled by convincing the already existing customer base to use more and more components of the platform, which is based on the principle of building blocks. This approach is much easier and more cost efficient than the acquisition of new customers.
- Management assumes that all of the political parties which might take a leading role in the German government after this year's election strive for improvements in the framework conditions of the German housing market.
- Regarding potential threats from rising interest rates to the mortgage volumes, management confirmed our view that the investment decisions of German homebuyers mainly follow their particular life situation (e.g. marriage, birth of children, etc.) and not the interest rate level.

Buy confirmed, TP € 139.00

We reiterate our Buy recommendation and TP of € 139.00.

Martin Decot (Analyst)
 +49 (69) 71 83 736
 martin.decot@bhf-bank.com

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Financial Services | Germany

	Buy					Price 127.15EUR		
	Upside	9.32%				TP 139.00EUR		
PER SHARE DATA (EUR)	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Adjusted EPS	-0.13	0.51	0.96	2.63	3.00	3.53	4.03	4.56
Reported EPS	-0.13	0.51	0.96	2.63	3.00	3.53	4.03	4.56
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	17.6%	14.2%	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	1.70	3.00	3.45
Book value per share	4.81	5.34	6.29	8.68	10.62	13.93	17.96	22.52
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	133		
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	127	127	127
Capitalization	55.1	50.7	67.6	201	451	780	780	780
Restated Net debt	9.7	5.9	3.9	-13.5	-11.7	-22.1	-40.6	-61.7
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	763	745	724
P/E (x)	ns	16.1	11.4	12.7	25.0	36.0	31.5	27.9
P/CF (x)	58.8	5.2	4.4	5.7	16.0	27.1	24.4	21.6
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%	1.3%	2.4%	2.7%
P/B incl. GW (x)	1.86	1.55	1.75	3.84	7.07	9.13	7.08	5.65
P/B excl. GW (x)	1.86	1.55	1.75	3.84	7.07	9.13	7.08	5.65
EV/Sales (x)	0.76	0.58	0.65	1.36	2.88	3.93	3.42	3.00
EV/EBITDA (x)	8.2	7.0	5.7	7.6	15.9	22.4	19.3	16.7
EV/EBIT (x)	20.9	14.5	9.1	9.8	19.4	28.8	24.7	21.2
(*) 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	34.1	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	26.5	30.2	34.1
Published EBIT	3.2	3.9	7.9	19.3	23.2	26.5	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	-4.4	-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	21.7	24.7	28.0
Adjusted attributable net profit	-0.8	3.1	5.9	15.9	18.0	21.7	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	85.5	110	138
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	85.8	111	139
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	-22.1	-40.6	-61.7
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	34.1	38.5	43.2
Change in WCR	1.2	3.7	-3.0	2.9	-7.5	-14.3	-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	-0.4	-1.0	-1.0
Operating Cash flow	7.8	9.9	8.4	26.7	16.7	14.5	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	10.4	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	10.4	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%	24.0%	12.2%	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%	14.2%	13.6%	13.0%
Growth in EPS(%)	ns	ns	88.0%	ns	14.2%	17.6%	14.2%	13.2%
Net margin	-0.9%	3.2%	5.3%	11.4%	11.5%	11.2%	11.4%	11.6%
EBITDA margin	9.3%	8.3%	11.3%	18.0%	18.1%	17.6%	17.7%	17.9%
Current EBIT margin	3.6%	4.0%	7.1%	13.9%	14.8%	13.7%	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%	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%	60.8%	40.5%	ns
ROCE post-tax hors GW (normative tax rate)	11.7%	13.0%	23.6%	60.6%	64.1%	60.8%	40.5%	ns
ROE	-2.7%	10.1%	16.6%	34.9%	31.0%	29.0%	25.3%	22.5%
DEBT RATIOS	12/12	12/13	12/14	12/15	12/16	12/17e	12/18e	12/19e
Gearing	33%	18%	10%	-26%	-18%	-26%	-37%	-45%
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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The opinions expressed in the financial analysis are opinions as per a particular date, i.e. the date indicated in the financial analysis. The recommendation (cf. explanation of the recommendation systematic) can change owing to unforeseeable events which may, for instance, have repercussions on both the company and on the whole industry.

• **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
21/06/17	Buy	139.00	123.05	Dr. Oliver Pucker, CFA

Recommendation split		Buy	Neutral	Reduce
		Our whole coverage	(419)	46%
Liquidity providers coverage	(147)	41%	52%	6%
Research service coverage	(59)	51%	47%	2%
Investment banking services	(49)	55%	35%	10%

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