



Swissquote

Internet banking/Fintech / Switzerland

Another strong set of results

Earnings/sales releases - 11/08/2020

Swissquote released this morning its numbers for H1 20. These were, once again, above expectations and our own expectations (which were already quite demanding). Guidance is drastically revised upwards with profit before tax expected at CHF100m (vs CHF90m for our own forecasts). Management will update its 2022 guidance during the Q4 20 release (in March 2021). Management expects to increase that guidance.

Fact

H1 20 numbers were in line with the Q1 20 trend which means a sharp increase in total revenues (+43.2% yoy) and a 132.8% increase in pre-tax profit.

Guidance for 2020 has been therefore sharply increased as the company expects revenues of CHF300m in 2020 (vs CHF295m for our expectations) and profit before tax at CHF100m (vs CHF90m for our expectations).

The virtuous circle of market volatility and new accounts opening have helped propel Swissquote's numbers at a level that was expected for 2022. Numbers for July and the first days in August are still in line with the H1 20 numbers (extrapolating this level into H2 20 would lead to actual numbers for FY20 above management's guidance).

Analysis

Total revenues at CHF160.7m were 43.2% higher yoy driven by both Swissquote's main flagships. Net fee & commission income increased indeed by 82.7% yoy to CHF83.4m, while net forex income increased by 52.2% to CHF60m.

Market volatility has obviously contributed to this sharp increase in revenues but some structural factors should help make this performance more sustainable.

New accounts' opening requests have amounted to 55,104 for the first six months and new opened accounts have therefore contributed to about 10% of the total revenues (underlying the sustainable impact of these accounts). Revenues in the forex division have also grown more than volumes as CFD trading is becoming more important in the mix.

And, based on the average assets per new opened accounts, the mix of Swissquote's clients is getting more oriented to wealthy clients. Assets under custody have increased at CHF33bn (a 10% increase yoy) with CHF3bn net new money.

Operating expenses were under control with an increase of "only" 17.4% (vs a 43% increase in revenues) due to higher personnel costs (half of this being attributable to the variable remuneration and the remainder to 65 additional employees).

Management is guiding towards revenues of CHF300m and pre-tax profit of CHF100m. Given the ongoing level of activity in July and at the beginning of August, we are comfortable in increasing our own pre-tax profit expectation for 2020 (currently at CHF90m) and for 2022 (management should update this during the FY2020 earnings release and is expected to increase it).



Farhad MOSHIRI

otherfinancials@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Add	Upside: 18.9%
Target Price (6 months)	CHF 95.1
Share Price	CHF 80.0
Market Cap. CHFM	1,226
Price Momentum	STRONG
Extremes 12Months	38.5 ▶ 90.8
Bloomberg	SQN SW Equity
Reuters	SQN.S



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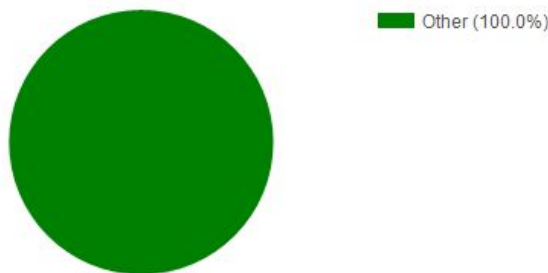


PERF	1w	1m	3m	12m
Swissquote Group Holding	-6.10%	-1.96%	24.6%	87.1%
Other financials	-0.79%	-0.17%	9.68%	6.23%
STOXX 600	0.28%	-0.59%	6.92%	-1.86%

Last updated: 17/06/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	14.5	15.5	17.1	13.9
Dividend yield (%)	2.38	1.94	1.94	2.16
EV/EBITDA(R) (x)	6.72	8.55	8.71	7.08
Adjusted EPS (CHF)	2.89	5.17	4.68	5.77
Growth in EPS (%)	-5.72	78.7	-9.39	23.3
Dividend (CHF)	1.00	1.55	1.55	1.73
Sales (CHFm)	232	295	307	343
Pretax Results margin (%)	21.8	29.9	24.5	27.3
Attributable net profit (CHFm)	43.0	76.9	69.7	85.9
ROE (after tax) (%)	11.8	19.3	16.5	19.2
Gearing (%)	-34.0	-29.4	-36.7	-40.5

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	CHFM	232	295	307
Change in sales	%	4.12	27.0	3.95
Change in staff costs	%	15.0	12.0	10.0
EBITDA	CHFM	78.3	123	117
EBITDA(R) margin	%	34.1	41.9	38.5
Depreciation	CHFM	-26.0	-29.1	-32.0
Underlying operating profit	CHFM	52.3	93.4	85.0
Operating profit (EBIT)	CHFM	50.6	90.4	82.0
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM		-0.82	-0.71
Exceptional items & other	CHFM			
Corporate tax	CHFM	-7.59	-13.6	-12.3
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	43.0	76.9	69.7
NOPAT	CHFM	35.4	63.9	57.9

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	CHFM	78.3	123	117
Change in WCR	CHFM	0.00	0.00	0.00
Actual div. received from equity holdi...	CHFM	0.00	0.00	0.00
Paid taxes	CHFM	-8.00	-13.6	-12.3
Exceptional items	CHFM			
Other operating cash flows	CHFM	9.00	-28.0	-21.7
Total operating cash flows	CHFM	79.3	81.0	83.0
Capital expenditure	CHFM	-26.3	-29.5	-32.4
Total investment flows	CHFM	-57.7	-29.5	-32.4
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-14.9	-14.9	-23.1
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	0.00	0.00	0.00
Total financial flows	CHFM	-14.9	-14.1	-22.4
Change in cash position	CHFM	6.76	37.4	28.2
Free cash flow (pre div.)	CHFM	53.0	51.5	50.6

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Mio	14.9	14.9	14.9
Number of diluted shares (average)	Mio	14.9	14.9	14.9
Benchmark EPS	CHF	2.89	5.17	4.68
Restated NAV per share	CHF			
Net dividend per share	CHF	1.00	1.55	1.55

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 99.1	35%	■ Julius Baer
NAV/SOTP per share	CHF 68.5	20%	■ UBS
EV/Ebitda	CHF 104	20%	■ VIEL & Cie
P/E	CHF 117	10%	■ DWS
Dividend Yield	CHF 110	10%	■ Amundi
P/Book	CHF 65.1	5%	■ Deutsche Boerse
TARGET PRICE	CHF 95.1	100%	■ London Stock Exch...
			■ Euronext NV

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	CHFM	45.7	46.6	47.5
Total intangible	CHFM	101	103	105
Tangible fixed assets	CHFM	70.5	71.9	73.3
Financial fixed assets	CHFM			
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	54.0	55.1	56.2
Total assets (net of short term liab.)	CHFM	6,367	6,494	6,595
Ordinary shareholders' equity	CHFM	375	421	426
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	5.59	1.00	1.19
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	5.59	1.00	1.19
Tax liabilities	CHFM	3.83	3.91	3.98
Other liabilities	CHFM	6,089	6,211	6,335
Net debt (cash)	CHFM	-105	-142	-171
Total liab. and shareholders' equity	CHFM	6,368	6,494	6,595

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	CHFM	277	282	259

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	11.8	19.3	16.5
ROCE	%	13.1	22.9	22.6
Gearing (at book value)	%	-34.0	-29.4	-36.7
Adj. Net debt/EBITDA(R)	x	-1.23	-1.10	-1.39
Interest cover (x)	x	175	-180	-209

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	14.5	15.5	17.1
Free cash flow yield	%	8.48	4.33	4.25
P/Book	x	1.67	2.83	2.80
Dividend yield	%	2.38	1.94	1.94

EV Calculation

		12/19A	12/20E	12/21E
Market cap	CHFM	625	1,190	1,190
+ Provisions	CHFM	5.59	1.00	1.19
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-105	-142	-171
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	533	1,056	1,028
EV/EBITDA(R)	x	6.72	8.55	8.71
EV/Sales	x	2.29	3.58	3.35

Analyst : Farhad Moshiri, Changes to Forecasts : 17/06/2020.