



Swissquote

Internet banking/Fintech / Switzerland

A very reassuring guidance

Earnings/sales releases - 17/03/2020

Swissquote released full annual results this morning. It had already disclosed its revenues and pre-tax margin in January (cf. our Latest) but these full results add some positive news to the fintech's investment case. Profit is indeed higher than our expectations thanks to a new corporate tax regime in the Canton of Vaud (corporate tax rate at 21% vs 25% in 2018). As important is the guidance for 2020 (revenues and net profit above 10%) as the company has leveraged on the markets' high volatility.

Fact

Today's Swissquote's results and outlook were a a sunbeam in current grim environment driven by the spread of COVID-19 in the world. We can't say the Swiss fintech is "COVID-proof" but its business model makes it an interesting investment case vs traditional banks under our coverage. It has indeed a very limited exposure to credit and market risks. Hence, we expect it to remain strongly capitalised (a CET1 ratio of 21.7% at the end of 2019) and to benefit from financial markets' volatility.

Analysis

Total revenues were up 7.5% yoy, whereas pre-tax profit was down about 5.9% due to a sharp increase in total expenses (+12%) from the integration of Internaxx (and an increase to depreciation). We expect the growth in expenses to slow going into 2020 and later.

Assets under custody have sharply risen as well, by 35% to CHF32.2bn (already disclosed). Half of the increase has come from market effects and the other 50% from new money (of which about half from Internaxx). Net new money was also quite balanced geographically (Switzerland, Europe (Internaxx), MEA and Americas & APAC).

2019 was therefore a more than decent year for the fintech company but it is almost ancient history at a time when COVID-19 has been rattling the financial markets. However, today's outlook and conference call were very positive.

Management has been indeed quite optimistic regarding 2020 as it expects revenues to grow at least 10% (as well as net profit).

The company benefits indeed from a high level of trading (etrading FX especially). It has also benefited from "a massive demand in account opening. Several thousand applications are received each week since the beginning of the year". It now has to translate into revenues.

However, we believe that both volatility and these new accounts will more than offset the negative impacts from a lower market effect on AuC (CHF-4bn ytd) as well as lower net interest income (as global rates have been sharply decreasing after central banks' rate cuts).

Management has also confirmed its guidance for 2022 where it expects a pre-tax profit of CHF100m (with CHF36bn AuC). We do not have numbers for 2022 at the moment but based on our current estimates for 2021, our future expectations won't reach that (ambitious) number. However, we are positive on the company and the 2020 guidance will more than reassure investors in the current environment.



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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

Buy	Upside: 40.6%
Target Price (6 months)	CHF 62.3
Share Price	CHF 44.3
Market Cap. CHFM	679
Price Momentum	GOOD
Extremes 12Months	34.4 ▶ 63.0
Bloomberg	SQN SW Equity
Reuters	SQN.S



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PERF	1w	1m	3m	12m
Swissquote Group Holding	-12.9%	-29.7%	-8.13%	19.4%
Other financials	-17.8%	-32.3%	-28.3%	-13.9%
STOXX 600	-16.2%	-33.9%	-31.9%	-25.3%

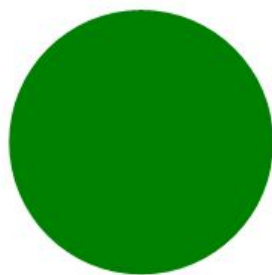
Last updated: 17/01/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	14.4	14.4	11.9	10.5
Dividend yield (%)	2.26	2.38	2.52	2.85
EV/EBITDA(R) (x)	6.17	6.23	5.46	4.77
Adjusted EPS (CHF)	3.07	2.91	3.72	4.20
Growth in EPS (%)	-14.5	-4.97	27.6	12.9
Dividend (CHF)	1.00	1.00	1.12	1.26
Sales (CHFm)	223	230	265	296
Pretax Results margin (%)	24.1	21.2	23.3	23.3
Attributable net profit (CHFm)	44.7	43.4	55.3	62.5
ROE (after tax) (%)	13.8	12.7	16.5	17.9
Gearing (%)	-36.5	-41.5	-37.5	-38.3

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■ Impact

Our numbers are under review and we will integrate the 2022 estimates.

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	CHFM	223	230	265
Change in sales	%	18.9	3.16	15.0
Change in staff costs	%	13.3	9.40	12.0
EBITDA	CHFM	83.4	81.1	97.8
EBITDA(R) margin	%	37.8	35.7	37.3
Depreciation	CHFM	-21.0	-24.7	-27.7
Underlying operating profit	CHFM	62.4	56.4	70.1
Operating profit (EBIT)	CHFM	53.9	51.0	65.1
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM		-0.86	-0.75
Exceptional items & other	CHFM			
Corporate tax	CHFM	-9.20	-7.65	-9.77
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	44.7	43.4	55.3
NOPAT	CHFM	37.7	36.3	46.1

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	CHFM	83.4	81.1	97.8
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	-10.3	-7.65	-9.77
Exceptional items	CHFM			
Other operating cash flows	CHFM	19.0	-25.0	-36.3
Total operating cash flows	CHFM	92.1	48.5	51.7
Capital expenditure	CHFM	-26.0	-28.4	-31.9
Total investment flows	CHFM	-26.0	-59.8	-31.9
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-13.0	-14.6	-14.9
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	28.7	0.00	0.00
Total financial flows	CHFM	15.7	-13.7	-14.1
Change in cash position	CHFM	81.8	-25.1	5.73
Free cash flow (pre div.)	CHFM	66.1	20.0	19.9

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	14.9	14.9	14.9
Number of diluted shares (average)	Mio	14.6	14.9	14.9
Benchmark EPS	CHF	3.07	2.91	3.72
Restated NAV per share	CHF			
Net dividend per share	CHF	1.00	1.00	1.12

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 73.5	35%	■ Euronext NV
NAV/SOTP per share	CHF 59.4	20%	■ London Stock Exch...
EV/Ebitda	CHF 62.7	20%	■ Deutsche Boerse
P/E	CHF 51.3	10%	■ Amundi
Dividend Yield	CHF 51.8	10%	■ DWS
P/Book	CHF 36.3	5%	■ VIEL & Cie
TARGET PRICE	CHF 62.3	100%	■ UBS
			■ Julius Baer

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	CHFM	40.1	40.9	41.7
Total intangible	CHFM	91.5	93.3	95.2
Tangible fixed assets	CHFM	59.0	60.2	61.4
Financial fixed assets	CHFM			
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	33.6	34.3	35.0
Total assets (net of short term liab.)	CHFM	5,298	5,404	5,512
Ordinary shareholders' equity	CHFM	352	330	340
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	4.60	4.03	4.07
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	4.60	4.03	4.07
Tax liabilities	CHFM	5.74	5.85	5.97
Other liabilities	CHFM	5,087	5,189	5,293
Net debt (cash)	CHFM	-150	-125	-130
Total liab. and shareholders' equity	CHFM	5,300	5,404	5,512

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	CHFM	215	219	223

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	13.8	12.7	16.5
ROCE	%	17.9	16.9	20.9
Gearing (at book value)	%	-36.5	-41.5	-37.5
Adj. Net debt/EBITDA(R)	x	-1.69	-1.43	-1.25
Interest cover (x)	x	209	-101	-156

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	14.4	14.4	11.9
Free cash flow yield	%	10.0	3.20	3.01
P/Book	x	1.87	1.89	1.94
Dividend yield	%	2.26	2.38	2.52

EV Calculation

		12/18A	12/19E	12/20E
Market cap	CHFM	659	625	659
+ Provisions	CHFM	4.60	4.03	4.07
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-150	-125	-130
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	521	512	540
EV/EBITDA(R)	x	6.17	6.23	5.46
EV/Sales	x	2.33	2.22	2.04

Analyst : Farhad Moshiri, Changes to Forecasts : 17/01/2020.