



Swissquote

Internet banking/Fintech / Switzerland

Good numbers, increase in guidance, modest management...

Earnings/sales releases - 06/08/2021

Swissquote released this morning its numbers for H1 21. These are in line with Swissquote's profit positive warning announced in mid-June. Revenues and pre-tax profit are well above the H1 20 level. These are in line with our expectations and we will adjust (upwards) our EPS for FY2021 in line with Swissquote's new guidance. Guidance is rather conservative on the back of the uncertainty in revenues from crypto-currencies but management expects a substantial contribution from this asset class going into 2022 and later.

Fact

Revenues at CHF266m were 65% higher yoy and pre-tax profit at CHF130m was 130% higher vs H1 20.

As we suspected at the time of the June positive profit warning, crypto trading revenues were the biggest contributor to that beat with revenues of CHF63m vs CHF5m in H1 20.

Swissquote has also seen a sharp increase in accounts opening (about 49,500 new accounts in H1 21) leading to net new money of CHF4.9bn for H1 21.

Swissquote has simply reached its target for 2024 three years in advance. As a reminder, the Swiss fintech's targets for 2024 were CHF500m in revenues, CHF200m pre-tax profit and CHF55bn assets under custody with CHF5bn net new money per year (90bp margin on assets therefore). The sustainability of these numbers going into 2022 and later will therefore be key to the company's performance.

Analysis

The numbers published this morning were expected following the June positive profit warning. The main expectation was about the FY2021 guidance. Management expects for FY2021 CHF465m in revenues (vs CHF365m previously) and a pre-tax profit of CHF210m (vs CHF130m previously).

This represents revenues of CHF200m for H2 21 and a pre-tax profit of CHF75m below H1 21 numbers. From our understanding (from the call with analysts), this is rather conservative and the actual numbers should be higher in the end. The guidance looks to be taking into account quite a low level of revenues from crypto trading (July saw revenues of only CHF3m for instance).

Management was a bit more evasive regarding the new 2024 guidance. A new guidance for 2025 will be posted during the next annual results but management is confident Swissquote will post growth for 2022 despite the very strong numbers in 2021. There is indeed still an important backlog of account opening requests and the trading of cryptos should on average increase in the mid-long term.

On top of this, the traditional engines of growth, which are B2B growth and international growth, will add more revenues to the top line.

The pre-tax margin is expected in the long run at about 40% (the 50% level for H1 21 was an exceptional one).



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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: 28.7%
Target Price (6 months)	CHF 198
Share Price	CHF 154
Market Cap. CHFM	2,364
Price Momentum	STRONG
Extremes 12Months	69.7 ▶ 162
Sustainability score	5.0 /10
Credit Risk	AA →
Bloomberg	SQN SW Equity
Reuters	SQN.S



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PERF	1w	1m	3m	12m
Swissquote Group Holding	9.52%	5.62%	12.6%	86.2%
Other financials	0.81%	3.24%	10.0%	30.5%
STOXX 600	1.32%	3.07%	6.43%	28.7%

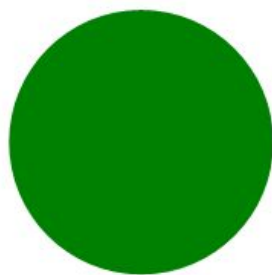
Last updated: 17/06/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	11.6	13.7	14.1	13.3
Dividend yield (%)	2.12	2.19	2.19	2.26
EV/EBITDA(R) (x)	7.02	9.06	8.88	8.04
Adjusted EPS (CHF)	6.13	11.2	11.0	11.6
Growth in EPS (%)	112	83.3	-2.33	5.82
Dividend (CHF)	1.50	3.37	3.37	3.48
Sales (CHFm)	317	447	439	463
Pretax Results margin (%)	33.4	29.3	34.1	37.2
Attributable net profit (CHFm)	91.2	167	163	173
ROE (after tax) (%)	22.4	35.7	30.2	27.2
Gearing (%)	-25.1	-32.0	-41.5	-48.5

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■ Impact

We will increase our numbers for FY2021 in line with guidance. We are also confident in increasing our numbers for FY2022 and FY2023 in line with management's cautious but optimistic tone for now.

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	CHFM	317	447	439
Change in sales	%	36.6	40.8	-1.65
Change in staff costs	%	24.7	18.1	-1.07
EBITDA	CHFM	135	231	226
EBITDA(R) margin	%	42.8	51.9	51.7
Depreciation	CHFM	-29.0	-34.3	-33.9
Underlying operating profit	CHFM	106	197	192
Operating profit (EBIT)	CHFM	106	197	192
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	-14.6	-29.5	-28.8
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	91.2	167	163
NOPAT	CHFM	74.1	138	135

Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	CHFM	135	231	226
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	-14.6	-29.5	-28.8
Exceptional items	CHFM			
Other operating cash flows	CHFM	41.0	-59.9	-26.0
Total operating cash flows	CHFM	161	142	171
Capital expenditure	CHFM	-30.7	-36.3	-35.9
Total investment flows	CHFM	-30.7	-36.3	-35.9
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-14.9	-22.3	-50.2
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	-21.5	-49.4
Change in cash position	CHFM	116	83.9	85.9
Free cash flow (pre div.)	CHFM	131	105	135

Per Share Data

		12/20A	12/21E	12/22E
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	6.13	11.2	11.0
Restated NAV per share	CHF			
Net dividend per share	CHF	1.50	3.37	3.37

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 216	35%	● Euronext NV
NAV/SOTP per share	CHF 175	20%	■ London Stock Exch...
EV/Ebitda	CHF 205	20%	● Deutsche Boerse
P/E	CHF 244	10%	■ Amundi
Dividend Yield	CHF 171	10%	■ DWS
P/Book	CHF 105	5%	■ Julius Baer
TARGET PRICE	CHF 198	100%	

NAV/SOTP Calculation

Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	CHFM	45.5	46.4	47.3
Total intangible	CHFM	115	118	120
Tangible fixed assets	CHFM	71.0	72.4	73.9
Financial fixed assets	CHFM			
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	47.6	48.6	49.5
Total assets (net of short term liab.)	CHFM	7,314	7,417	7,566
Ordinary shareholders' equity	CHFM	440	495	587
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	8.00	1.00	1.19
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	8.00	1.00	1.19
Tax liabilities	CHFM	8.40	8.57	8.74
Other liabilities	CHFM	6,974	7,113	7,255
Net debt (cash)	CHFM	-117	-200	-286
Total liab. and shareholders' equity	CHFM	7,314	7,417	7,566

Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	CHFM	307	269	275

Profits & Risks Ratios

		12/20A	12/21E	12/22E
ROE (after tax)	%	22.4	35.7	30.2
ROCE	%	24.4	51.6	49.4
Gearing (at book value)	%	-25.1	-32.0	-41.5
Adj. Net debt/EBITDA(R)	x	-0.81	-0.83	-1.23
Interest cover (x)	x	354	-379	-472

Valuation Ratios

		12/20A	12/21E	12/22E
Reference P/E (benchmark)	x	11.6	13.7	14.1
Free cash flow yield	%	12.4	4.59	5.90
P/Book	x	2.40	4.63	3.91
Dividend yield	%	2.12	2.19	2.19

EV Calculation

		12/20A	12/21E	12/22E
Market cap	CHFM	1,055	2,294	2,294
+ Provisions	CHFM	8.00	1.00	1.19
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-117	-200	-286
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	953	2,102	2,016
EV/EBITDA(R)	x	7.02	9.06	8.88
EV/Sales	x	3.00	4.70	4.59

Analyst : Farhad Moshiri, Changes to Forecasts : 17/06/2021.