



# Swissquote

Internet banking/Fintech / Switzerland

## Very promising numbers

Earnings/sales releases - 16/01/2020

**Swissquote announced yesterday both revenues and the pre-tax margin for 2019. The two numbers are above guidance at CHF230m and CHF50m, respectively. Management confirmed its guidance for 2022 and the full report will be available on 17 March. Swissquote was up 10% yesterday is up 3.5% today.**

### Fact

Revenues at CHF230m were in the mid-range of management's guidance and slightly above our expectations. Pre-tax margin was also higher than guidance (at CHF48m) and 6% above our own forecasts. While we do not have any further details (until 17 March) regarding the split in revenues, the increase in assets positively surprised (at CHF32.3bn vs CHF31bn for our expectations). Following this good set of results, we are confident of increasing our numbers going into 2020 and 2021, even more as management confirmed its ambitious guidance for 2022.

### Analysis

With financial markets enjoying the current strong momentum, Swissquote's assets have mechanically increased as well. It has also gathered about CHF4.6bn in 2019. Management is targeting about CHF36bn of assets under custody in 2022 to reach its CHF320m revenue target. Given the ongoing gathering, this level should be reached even if financial markets have a pause.

Even if we remain wary regarding the revenue guidance due to the uncertain level of interest rates going into 2022, we are comfortable in increasing our bottom line to get closer to management's guidance of CHF100m pre-tax margin for 2022 (we currently expect a CHF64m pre-tax margin for 2021).

Share is up 13% in the last two days and even 22% since the beginning of December. Recent M&A operations have helped (and will help) the repricing of the sector. While consolidation has started in the very competitive US market (Charles Schwab and TD Ameritrade), operations should help increase multiples in Europe as well. The acquisition of DeGiro by Flatex recently (December) was done at a price of 4.3x P/Sales (an investor has currently to pay about 3.5x for Swissquote).

### Impact

While we will have more details regarding the P&L numbers in the 2019 annual report, the higher than expected pre-tax margin, the confirmation of the guidance and the rerating of the sector's multiples make us confident of increasing our bottom line for Swissquote.



**Farhad MOSHIRI**

[otherfinancials@alphavalue.eu](mailto:otherfinancials@alphavalue.eu)

+33 (0) 1 70 61 10 50

[cs.alphavalue.com](mailto: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

<b>Add</b>	<b>Upside: 5.19%</b>
Target Price (6 months)	CHF 57.9
Share Price	CHF 55.1
Market Cap. CHFM	844
Price Momentum	<b>STRONG</b>
Extremes 12Months	34.4 ▶ 55.1
Bloomberg	SQN SW Equity
Reuters	SQN.S



[Download Full Analysis](#)

[Company Page](#)

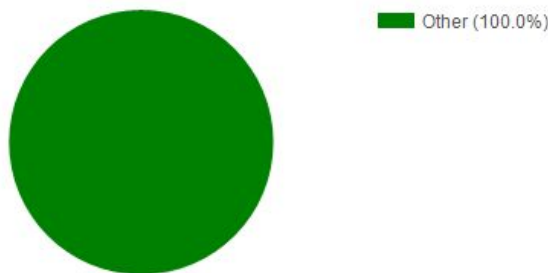


PERF	1w	1m	3m	12m
Swissquote Group Holding	9.23%	14.2%	27.2%	7.12%
Other financials	0.79%	1.45%	5.42%	33.7%
STOXX 600	0.30%	0.45%	6.50%	20.3%

Last updated: 09/10/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	17.9	15.4	18.0	16.3
Dividend yield (%)	1.82	2.38	1.82	1.84
EV/EBITDA(R) (x)	8.07	6.53	8.11	7.29
Adjusted EPS (CHF)	3.07	2.72	3.05	3.39
Growth in EPS (%)	-14.5	-11.2	12.0	10.9
Dividend (CHF)	1.00	1.00	1.00	1.02
Sales (CHFm)	223	227	250	274
Pretax Results margin (%)	24.1	21.5	21.5	21.5
Attributable net profit (CHFm)	44.7	40.5	45.4	50.4
ROE (after tax) (%)	13.8	11.9	13.6	14.6
Gearing (%)	-36.5	-41.4	-37.0	-37.7

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

## Sales by Geography



## Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	CHFM	223	227	250
Change in sales	%	18.9	1.67	10.0
Change in staff costs	%	13.3	9.40	10.0
EBITDA	CHFM	83.4	77.8	85.6
<b>EBITDA(R) margin</b>	<b>%</b>	<b>37.8</b>	<b>34.7</b>	<b>34.7</b>
Depreciation	CHFM	-21.0	-24.7	-27.2
Underlying operating profit	CHFM	62.4	53.1	58.4
<b>Operating profit (EBIT)</b>	<b>CHFM</b>	<b>53.9</b>	<b>47.7</b>	<b>53.4</b>
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	-7.16	-8.01
Equity associates	CHFM			
Minority interests	CHFM			
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>44.7</b>	<b>40.5</b>	<b>45.4</b>
NOPAT	CHFM	37.7	34.0	37.9

## Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	CHFM	83.4	77.8	85.6
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	-7.16	-8.01
Exceptional items	CHFM			
Other operating cash flows	CHFM	19.0	-25.0	-25.9
Total operating cash flows	CHFM	92.1	45.6	51.7
Capital expenditure	CHFM	-26.0	-28.4	-31.3
Total investment flows	CHFM	-26.0	-59.8	-31.3
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	-27.9	6.30
<b>Free cash flow (pre div.)</b>	<b>CHFM</b>	<b>66.1</b>	<b>17.2</b>	<b>20.4</b>

## 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
<b>Benchmark EPS</b>	<b>CHF</b>	<b>3.07</b>	<b>2.72</b>	<b>3.05</b>
Restated NAV per share	CHF			
<b>Net dividend per share</b>	<b>CHF</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 60.9	35%	■ Euronext NV
NAV/SOTP per share	CHF 52.8	20%	■ London Stock Exch...
EV/Ebitda	CHF 68.5	20%	■ Deutsche Boerse
P/E	CHF 45.3	10%	■ Amundi
Dividend Yield	CHF 55.3	10%	■ DWS
P/Book	CHF 45.1	5%	■ VIEL & Cie
TARGET PRICE	CHF 57.9	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
<b>Ordinary shareholders' equity</b>	<b>CHFM</b>	<b>352</b>	<b>327</b>	<b>338</b>
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
<b>Net debt (cash)</b>	<b>CHFM</b>	<b>-150</b>	<b>-122</b>	<b>-128</b>
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
<b>ROE (after tax)</b>	<b>%</b>	<b>13.8</b>	<b>11.9</b>	<b>13.6</b>
ROCE	%	17.9	15.8	17.3
<b>Gearing (at book value)</b>	<b>%</b>	<b>-36.5</b>	<b>-41.4</b>	<b>-37.0</b>
Adj. Net debt/EBITDA(R)	x	-1.69	-1.46	-1.40
Interest cover (x)	x	209	-95.0	-130

## Valuation Ratios

		12/18A	12/19E	12/20E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>17.9</b>	<b>15.4</b>	<b>18.0</b>
Free cash flow yield	%	8.07	2.75	2.49
P/Book	x	2.33	1.91	2.42
<b>Dividend yield</b>	<b>%</b>	<b>1.82</b>	<b>2.38</b>	<b>1.82</b>

## EV Calculation

		12/18A	12/19E	12/20E
Market cap	CHFM	819	625	819
+ 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	-122	-128
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	681	514	702
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>8.07</b>	<b>6.53</b>	<b>8.11</b>
EV/Sales	x	3.05	2.27	2.81

Analyst : Farhad Moshiri, Changes to Forecasts : 09/10/2019.