



Swissquote

Internet banking/Fintech / Switzerland

The party is going on...

Earnings/sales releases - 14/01/2021

Swissquote released this morning new targets for the FY2020 results (expected to be disclosed on 18 March 2021):

- the company is expecting at least CHF315m (vs CHF300m previously and CHF312m for our expectations)

- profit before tax above CHF105m (vs CHF100m previously and CHF105m for our expectations).

- Clients assets rose to an all-time high of CHF39.8bn

As importantly, these numbers should be sustainable going into 2021 ("Swissquote thus achieves the best results in its history and aims to continue growing its revenues and profit in 2021").

Analysis

These better numbers were partly expected as Swissquote's share price's stellar performance continued on a one-year basis. The share is also still up 2% today. While we were cautiously optimistic, as the sharp increase in the opening of new accounts had to be maintained, management looks confident this should be the case going into 2021 and later.

It expects to continue increasing its revenues and profits in 2021. We also expect a new guidance for 2022 as the previous one was reached two years ahead of schedule. In 2019, management indeed expected, for 2022, a CHF100m pre-tax profit with CHF36bn of clients' assets. Simply extrapolating this ratio with a stable level of clients' assets in 2022, Swissquote's pre-tax profit would stand at CHF111m in 2022.

And that does not take into account Swissquote's recent or future growth initiatives. Internax should indeed prove to grow going into 2021 and later.

We need more details regarding the partnership between Swissquote and Postfinance (a 50% JV between the two companies) to launch an app with the ambition to compete with Revolut or N26. But leveraging Postfinance's three million customers could only prove to be profitable.

The recent volatility of cryptocurrencies in recent weeks will add to Swissquote's Q12021 revenues (as was the case in H1 18). The institutionalisation of the trading of cryptocurrencies should also add to Swissquote's revenues in a sustainable way.

Impact

We will raise our estimates going into 2021 and 2022.



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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

Add	Upside: 10.9%
Target Price (6 months)	CHF 114
Share Price	CHF 103
Market Cap. CHFM	1,576
Price Momentum	STRONG
Extremes 12Months	43.6 ▶ 103
Bloomberg	SQN SW Equity
Reuters	SQN.S



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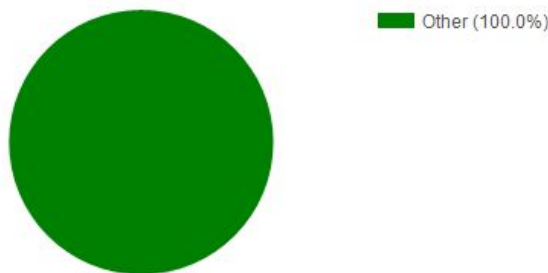


PERF	1w	1m	3m	12m
Swissquote Group Holding	11.7%	24.5%	21.4%	110%
Other financials	0.04%	2.17%	7.46%	13.0%
STOXX 600	0.65%	4.39%	10.3%	-2.23%

Last updated: 13/01/2021	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	15.1	11.8	17.0	16.5
Dividend yield (%)	2.29	2.54	1.77	1.81
EV/EBITDA(R) (x)	7.02	6.79	9.87	9.28
Adjusted EPS (CHF)	2.89	6.00	6.05	6.22
Growth in EPS (%)	-5.72	107	0.84	2.79
Dividend (CHF)	1.00	1.80	1.81	1.87
Sales (CHFm)	232	312	319	328
Pretax Results margin (%)	21.8	33.1	33.0	32.7
Attributable net profit (CHFm)	43.0	89.3	90.0	92.5
ROE (after tax) (%)	11.8	22.4	20.8	19.8
Gearing (%)	-34.0	-29.5	-37.5	-42.5

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

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	CHFM	232	312	319
Change in sales	%	4.12	34.3	2.27
Change in staff costs	%	15.0	17.8	3.00
EBITDA	CHFM	78.3	134	136
EBITDA(R) margin	%	34.1	43.3	42.9
Depreciation	CHFM	-26.0	-29.2	-30.1
Underlying operating profit	CHFM	52.3	105	106
Operating profit (EBIT)	CHFM	50.6	105	106
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	-15.8	-15.9
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	43.0	89.3	90.0
NOPAT	CHFM	35.4	74.1	74.6

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	CHFM	78.3	134	136
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	-15.8	-15.9
Exceptional items	CHFM			
Other operating cash flows	CHFM	9.00	-33.5	-20.7
Total operating cash flows	CHFM	79.3	85.0	99.4
Capital expenditure	CHFM	-26.3	-31.0	-31.9
Total investment flows	CHFM	-57.7	-31.0	-31.9
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-14.9	-14.9	-26.8
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	-26.1
Change in cash position	CHFM	6.76	39.9	41.5
Free cash flow (pre div.)	CHFM	53.0	54.0	67.5

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	6.00	6.05
Restated NAV per share	CHF			
Net dividend per share	CHF	1.00	1.80	1.81

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 110	35%	● Euronext NV
NAV/SOTP per share	CHF 86.4	20%	■ London Stock Exch...
EV/Ebitda	CHF 140	20%	● Deutsche Boerse
P/E	CHF 152	10%	● Amundi
Dividend Yield	CHF 109	10%	● DWS
P/Book	CHF 85.6	5%	■ VIEL & Cie
TARGET PRICE	CHF 114	100%	■ Julius Baer

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	423	442
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	-145	-186
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	22.4	20.8
ROCE	%	13.1	26.5	29.1
Gearing (at book value)	%	-34.0	-29.5	-37.5
Adj. Net debt/EBITDA(R)	x	-1.23	-1.02	-1.31
Interest cover (x)	x	175	-203	-261

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	15.1	11.8	17.0
Free cash flow yield	%	8.17	5.12	4.42
P/Book	x	1.73	2.49	3.46
Dividend yield	%	2.29	2.54	1.77

EV Calculation

		12/19A	12/20E	12/21E
Market cap	CHFM	649	1,055	1,530
+ 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	-145	-186
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	557	918	1,352
EV/EBITDA(R)	x	7.02	6.79	9.87
EV/Sales	x	2.40	2.94	4.24

Analyst : Farhad Moshiri, Changes to Forecasts : 13/01/2021.