



Swissquote

Internet banking/Fintech / Switzerland

Bullish (but reachable) targets

Earnings/sales releases - 22/03/2021

Swissquote released its FY2020 numbers. The key numbers were, however, already known (preliminary release on 14 January 2021). The key takeaways were related to the short and mid-term guidances. These are indeed very bullish with 15% growth in revenues expected in 2021 together with a 23% pre-tax profit margin and CHF500m revenues expected in 2024 (vs CHF320m in 2020) and a CHF200m pre-tax profit (vs CHF100m in 2020). We will adjust our numbers accordingly with a sharp rise expected in the target price.

Fact

Swissquote has reached its 2022 targets two years in advance and the new guidance was therefore highly anticipated. 2020 was a year all kinds of possible tailwinds for Swissquote. The COVID-19 pandemic led indeed to a sharp rise in volatility, leading to a high degree of volumes (especially from the retail investors). At the same time, crypto-currencies are becoming mainstream with Swissquote at the forefront of the crypto-trading.

Management is therefore very confident that 2020 was a game-changer for Swissquote rather than an exceptional year.

Guidances for both 2021 and 2024 are indeed very bullish and (well) above our expectations. These are greatly detailed and at the same time offer a lot of visibility up to 2024.

Analysis

Management is expecting revenues to increase by 15% in 2021 vs 2020 (CHF365m expected). Pre-tax profit is expected to increase by 23% (to CHF130m) for 2021, with crypto-trading helping. Revenues from the crypto business were CHF16m in 2020 and management is expecting revenues to increase to CHF35m in 2021. At the same, this is ever more profitable as the costs of managing this asset class are very low (pre-tax margin on these revenues are at 80% vs about 35-0% for other asset classes). The interest of institutional investors makes management's guidance regarding the crypto-currencies' revenue expectations credible and sustainable.

Net new money and the opening of new accounts remain buoyant with +CHF1.4bn of new money ytd (implicit guidance was CHF3bn per year...) and about 45,000 new accounts ytd (vs 10,000 last year).

Swissquote is therefore expecting more like CHF5bn net new money per year (vs CHF3bn previously) with half from Switzerland and other half from its international network (Swissquote Bank Europe or former InternaxX, Singapore and the Middle East). This is the main scenario leading to the 2024 guidance regarding revenues. The CHF500m revenues expected for 2024 are roughly equal to a 90bp margin on assets of CHF55bn.

Impact

Swissquote's guidance might be bullish, especially in the light of the deflation that online brokers are facing in the US but also in Europe (IG Group or Saxo Bank in Switzerland for instance). Swissquote's offer is, however, quite different as it gives investors a very deep offering in terms of trading. At the same time, the Gamestop/Robinhood debacle showed that commissions-free trading has a



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

Reduce	Upside: -7.55%
Target Price (6 months)	CHF 114
Share Price	CHF 123
Market Cap. CHFM	1,889
Price Momentum	STRONG
Extremes 12Months	46.4 ▶ 123
Sustainability score	4.3 /10
Credit Risk	AA →
Bloomberg	SQN SW Equity
Reuters	SQN.S



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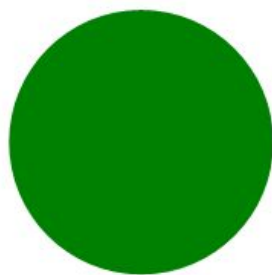
PERF	1w	1m	3m	12m
Swissquote Group Holding	19.8%	13.0%	41.8%	158%
Other financials	-1.12%	-3.15%	2.47%	62.9%
STOXX 600	0.06%	1.74%	6.93%	47.1%

Last updated: 14/01/2021	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	15.1	11.2	18.8	18.3
Dividend yield (%)	2.29	2.68	1.60	1.64
EV/EBITDA(R) (x)	7.02	6.51	11.3	10.6
Adjusted EPS (CHF)	2.89	6.33	6.55	6.73
Growth in EPS (%)	-5.72	119	3.56	2.68
Dividend (CHF)	1.00	1.90	1.97	2.02
Sales (CHFm)	232	320	334	344
Pretax Results margin (%)	21.8	32.3	31.6	31.3
Attributable net profit (CHFm)	43.0	94.2	97.5	100
ROE (after tax) (%)	11.8	23.6	22.5	21.2
Gearing (%)	-34.0	-29.4	-37.4	-42.8

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

liquidity price...that should (and will) benefit Swissquote. We will revise our (conservative) expectations sharply upwards.

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	CHFM	232	320	334
Change in sales	%	4.12	37.6	4.50
Change in staff costs	%	15.0	18.8	5.00
EBITDA	CHFM	78.3	140	146
EBITDA(R) margin	%	34.1	44.2	43.9
Depreciation	CHFM	-26.0	-29.5	-31.0
Underlying operating profit	CHFM	52.3	111	115
Operating profit (EBIT)	CHFM	50.6	111	115
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	-16.6	-17.2
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	43.0	94.2	97.5
NOPAT	CHFM	35.4	78.1	80.8

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	CHFM	78.3	140	146
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	-16.6	-17.2
Exceptional items	CHFM			
Other operating cash flows	CHFM	9.00	-39.9	-23.0
Total operating cash flows	CHFM	79.3	83.8	105
Capital expenditure	CHFM	-26.3	-31.2	-32.8
Total investment flows	CHFM	-57.7	-31.2	-32.8
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-14.9	-14.9	-28.2
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	-14.1	-27.5
Change in cash position	CHFM	6.76	38.5	45.1
Free cash flow (pre div.)	CHFM	53.0	52.5	72.7

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	6.33	6.55
Restated NAV per share	CHF			
Net dividend per share	CHF	1.00	1.90	1.97

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 117	35%	● Euronext NV
NAV/SOTP per share	CHF 86.4	20%	■ London Stock Exch...
EV/Ebitda	CHF 135	20%	● Deutsche Boerse
P/E	CHF 147	10%	■ Amundi
Dividend Yield	CHF 104	10%	■ DWS
P/Book	CHF 75.0	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	422	444
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	-143	-188
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	23.6	22.5
ROCE	%	13.1	27.9	31.4
Gearing (at book value)	%	-34.0	-29.4	-37.4
Adj. Net debt/EBITDA(R)	x	-1.23	-0.96	-1.24
Interest cover (x)	x	175	-214	-282

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	15.1	11.2	18.8
Free cash flow yield	%	8.17	4.98	3.96
P/Book	x	1.73	2.50	4.13
Dividend yield	%	2.29	2.68	1.60

EV Calculation

		12/19A	12/20E	12/21E
Market cap	CHFM	649	1,055	1,833
+ 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	-143	-188
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	557	919	1,653
EV/EBITDA(R)	x	7.02	6.51	11.3
EV/Sales	x	2.40	2.88	4.95

Analyst : Farhad Moshiri, Changes to Forecasts : 14/01/2021.