



# Swissquote

Internet banking/Fintech / Switzerland

## Incredible numbers...

Latest - 16/06/2021

Swissquote released this morning a trading update regarding the expected results for H1 21. These are simply impressive. The company indeed expects CHF260m in revenues and CHF130m in pre-tax profit for H1 21. As a comparison, the previous guidance for FY2021 was total revenues of CHF360m and pre-tax profit of CHF130m. Guidance will therefore be sharply revised upwards and we will adjust our forecasts accordingly.

### Fact

Swissquote has been registering a massive inflow of new clients and new assets. The first months of 2021 have seen strong trading activities in Swissquote's main revenue segments (fee and commission, eForex and cryptocurrencies). As a result, Swissquote expects to achieve record half-year results with revenues of CHF260m vs CHF161m in H1 20 and pre-tax profit is expected to exceed CHF130m vs CHF58.4m in H120 (as a reminder, H1 20 was already an exceptional half year vs H1 19).

### Analysis

While the trading update remains very succinct, it offers important clues regarding the actual and expected numbers.

First, obviously, the guidance for FY2021 reported on 18 March will be significantly revised upwards (during the H1 21 publication on 6 August). Guidance at that time was for total revenues of CHF360m for 2021 and a pre-tax profit of CHF130m...

The pre-tax profit will be already reached by the end of June 2021, meaning the margin on assets is well above expectations and previous guidance.

The 2021 numbers are also highly likely to be above the 2024 guidance which we described as very bullish three months ago. Management indeed expected for 2024 total revenues to be in the area of CHF500m and pre-tax profit at CHF200m.

That guidance was based on CHF5bn net new money per year, leading to about CHF55bn assets under custody and a 90bp margin.

While we believe net new money and the opening of new accounts remain buoyant between March and June (Swissquote recorded already +CHF1.4bn net new money in January and February), we suspect that Swissquote has strongly benefited from the trading of cryptocurrencies. These offer indeed Swissquote a much higher pre-tax margin vs traditional assets (at 80% vs 35% for traditional assets).

It is hard to extrapolate again this exceptional half year to H2 21 and later (especially the buoyant trading of cryptocurrencies) but sustainable revenues and pre-tax profits will remain well above our current expectations.

### Impact

Following today's trading update, we will (sharply) revise upwards our expectations for 2021 and later.



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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: 16.8%

Target Price (6 months)	CHF 159
Share Price	CHF 136
Market Cap. CHFM	2,091
Price Momentum	<b>GOOD</b>
Extremes 12Months	67.6 ▶ 146
Sustainability score	5.0 /10
Credit Risk	AA →
Bloomberg	SQN SW Equity
Reuters	SQN.S

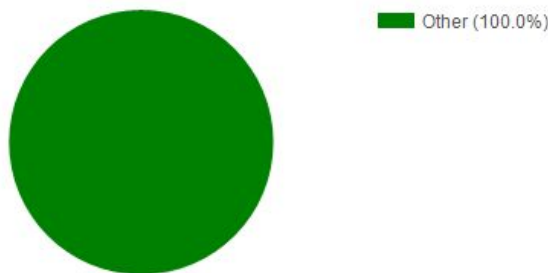
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PERF	1w	1m	3m	12m
Swissquote Group Holding	-4.75%	5.41%	29.4%	102%
Other financials	0.80%	5.86%	7.86%	32.9%
STOXX 600	1.06%	3.68%	8.45%	29.9%

Last updated: 09/04/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	11.6	18.3	15.9	13.9
Dividend yield (%)	2.12	1.64	1.88	2.16
EV/EBITDA(R) (x)	7.02	11.4	9.78	8.31
Adjusted EPS (CHF)	6.13	7.46	8.56	9.80
Growth in EPS (%)	112	21.7	14.7	14.5
Dividend (CHF)	1.50	2.24	2.57	2.94
Sales (CHFm)	317	363	403	448
Pretax Results margin (%)	33.4	36.1	37.2	38.4
Attributable net profit (CHFm)	91.2	111	127	146
ROE (after tax) (%)	22.4	24.6	25.9	26.0
Gearing (%)	-25.1	-30.7	-37.2	-43.0

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

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	CHFM	317	363	403
Change in sales	%	36.6	14.5	11.1
Change in staff costs	%	24.7	10.0	9.00
EBITDA	CHFM	135	162	185
<b>EBITDA(R) margin</b>	<b>%</b>	<b>42.8</b>	<b>45.0</b>	<b>46.0</b>
Depreciation	CHFM	-29.0	-31.9	-34.8
Underlying operating profit	CHFM	106	131	150
<b>Operating profit (EBIT)</b>	<b>CHFM</b>	<b>106</b>	<b>131</b>	<b>150</b>
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	-19.6	-22.5
Equity associates	CHFM			
Minority interests	CHFM			
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>91.2</b>	<b>111</b>	<b>127</b>
NOPAT	CHFM	74.1	92.0	105

## Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	CHFM	135	162	185
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	-19.6	-22.5
Exceptional items	CHFM			
Other operating cash flows	CHFM	41.0	-38.0	-36.5
Total operating cash flows	CHFM	161	105	126
Capital expenditure	CHFM	-30.7	-33.8	-36.8
Total investment flows	CHFM	-30.7	-33.8	-36.8
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-14.9	-22.3	-33.3
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	-32.6
Change in cash position	CHFM	116	49.6	56.2
<b>Free cash flow (pre div.)</b>	<b>CHFM</b>	<b>131</b>	<b>71.1</b>	<b>88.8</b>

## 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
<b>Benchmark EPS</b>	<b>CHF</b>	<b>6.13</b>	<b>7.46</b>	<b>8.56</b>
Restated NAV per share	CHF			
<b>Net dividend per share</b>	<b>CHF</b>	<b>1.50</b>	<b>2.24</b>	<b>2.57</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 179	35%	■ Julius Baer
NAV/SOTP per share	CHF 144	20%	■ DWS
EV/Ebitda	CHF 161	20%	■ Amundi
P/E	CHF 181	10%	■ Deutsche Boerse
Dividend Yield	CHF 126	10%	■ London Stock Exch...
P/Book	CHF 95.2	5%	■ Euronext NV
TARGET PRICE	CHF 159	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
<b>Ordinary shareholders' equity</b>	<b>CHFM</b>	<b>440</b>	<b>461</b>	<b>523</b>
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
<b>Net debt (cash)</b>	<b>CHFM</b>	<b>-117</b>	<b>-166</b>	<b>-222</b>
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
<b>ROE (after tax)</b>	<b>%</b>	<b>22.4</b>	<b>24.6</b>	<b>25.9</b>
ROCE	%	24.4	34.4	38.6
<b>Gearing (at book value)</b>	<b>%</b>	<b>-25.1</b>	<b>-30.7</b>	<b>-37.2</b>
Adj. Net debt/EBITDA(R)	x	-0.81	-0.97	-1.16
Interest cover (x)	x	354	-252	-368

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>11.6</b>	<b>18.3</b>	<b>15.9</b>
Free cash flow yield	%	12.4	3.50	4.38
P/Book	x	2.40	4.40	3.88
<b>Dividend yield</b>	<b>%</b>	<b>2.12</b>	<b>1.64</b>	<b>1.88</b>

## EV Calculation

		12/20A	12/21E	12/22E
Market cap	CHFM	1,055	2,030	2,030
+ 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	-166	-222
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	953	1,871	1,815
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>7.02</b>	<b>11.4</b>	<b>9.78</b>
EV/Sales	x	3.00	5.15	4.50

Analyst : Farhad Moshiri, Changes to Forecasts : 09/04/2021.