



Swissquote

Internet banking/Fintech / Switzerland

H1-23: NII tailwinds persist; 2023 guidance upgraded

Earnings/sales releases - 11/08/2023

Swissquote realized a good H1-23, continuing to reap the benefits of higher rates on its liquidity and investment portfolio, more than offsetting the decline observed in transaction volumes linked to fading market volatility and an uncertain economic environment. The management upgraded both its 2023 revenue and pre-tax profit guidance on the back of the higher margins anticipated on its client assets. In our view the bank looks well positioned to contend with any challenges ahead.

Fact

Operating income: CHF265m (+32% yoy, 4% above our estimates and 2% above consensus).

- Net fee and commission income: CHF81m (-19% yoy).
- Net interest income (NII): CHF103m vs CHF15m in H1-22.
- Net trading income: CHF81m (-4% yoy).

Opex: CHF138m (+30% yoy and 5% above our estimates).

Net result from JV: CHF2.3m loss (vs CHF2.9m loss in H1-22).

Pre-tax result: CHF125m (+38% yoy, 3% above our estimates and 9% below the consensus). Pre-tax profit margin at 47% vs 45% in H1-22. This was above the management's 2023 target (46.5%).

Client assets reached CHF56.9bn (vs CHF52.2bn in FY-22). The number of client accounts rose by 6.4% yoy to 555k accounts.

Net new money: CHF3bn vs CHF2.7bn in H2-22 and CHF5bn in H1-22.

The management upgraded both its revenue and pre-tax result targets for 2023 on the back of an upgraded outlook on NII, forecasting CHF530m of revenue (vs CHF495m) and a CHF250m pre-tax result (vs CHF230m) thus leading to a 47% pre-tax profit margin.

Management 2025 targets were kept unchanged: a CHF750m revenue, a CHF350m pretax result (47.5% pretax margin) and CHF7bn net new money per year.

Analysis

Swissquote realized a good H1-23, continuing to reap the benefits of higher rates on its liquidity and investment portfolio, more than offsetting the decline observed in transaction volumes linked to fading market volatility and an uncertain economic environment. The management upgraded both its 2023 revenue and pre-tax profit guidance on the back of the higher margins anticipated on its client assets thanks to the elevated interest rate levels foreseen. All the 2025 targets were maintained. The group continues to look fit for any coming environment, with non-transaction revenue coming notably from higher interest margins and a positive impact from market volatility on fee and trading income acting as mutual hedges.



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Add	Upside: 24.5%
Target Price (6 months)	CHF 234
Share Price	CHF 188
Market Cap. CHFM	2,877
Price Momentum	GOOD
Extremes 12Months	99.1 ▶ 203
Sustainability score	7.0 /10
Credit Risk	AA →
Bloomberg	SQN SW Equity
Reuters	SQN.S



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PERF	1w	1m	3m	12m
Swissquote Group Holding	-2.54%	-1.52%	0.00%	65.4%
Other Financials	0.25%	4.10%	2.17%	1.73%
STOXX 600	1.38%	2.77%	0.13%	5.54%

Last updated: 16/06/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	12.5	12.5	10.6	9.38
Dividend yield (%)	1.67	1.20	1.25	1.31
EV/EBITDA(R) (x)	7.62	8.09	6.54	5.41
Adjusted EPS (CHF)	10.6	15.1	17.8	20.0
Growth in EPS (%)	-18.5	42.3	18.0	12.6
Dividend (CHF)	2.20	2.25	2.35	2.45
Sales (CHFM)	408	533	610	683
Pretax Results margin (%)	45.7	49.3	50.8	51.1
Attributable net profit (CHFM)	157	224	264	298
ROE (after tax) (%)	23.2	26.7	26.0	23.2
Gearing (%)	-30.7	-31.6	-37.7	-39.0

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

Revenue came in above the guidance with much of the growth coming from the very high NII. This was mainly due to the continued general increase in interest rates observed across all major currencies (CHF, USD, EUR) but also from the continued rise in client cash deposits (CHF9.4bn vs CHF9.2bn at the end of 2022) coming from the combination of new money and continued customer cautiousness. Another tailwind on NII came from the fact that the group invested a larger part of these deposits in loans and investment securities, anticipating the maturities of its portfolio, thus increasing the yield generated. Part of the rationale for this came from the fact that the management expected policy rates hikes to be close to their highs in developed economies, rendering duration more attractive than in 2022. The management expects higher interest rates to continue to draw NII higher in 2023, leading to a considerable increase in the margin on assets forecasted (94bp vs 87bp guided in 2022, with higher interest margin on deposits being solely responsible for the rise in margins).

The management was confident in its interest margin outlook which should more than compensate for the low-volatility recorded in the market over H1-23 as well as the high uncertainty surrounding the economic outlook, which led to continued cautiousness in client positioning. Should volatility return in H2-23 and 2024, transaction volume will likely benefit from this shift in the market environment which could play out in favour of Swissquote's fee income generation and the group achieving its 2025 revenue target. Cryptos are another source of potential tailwinds which could emerge in the coming environment, with interest returning to this market, as the industry experiences short but abrupt cycles and as the current "crypto winter" is about to celebrate its two-year anniversary at the end of the year. On the other hand, a shadow overhanging the group's NII tailwind which has so far not shown its presence is a possible increase in the pass-through rate, the proportion of policy rate hikes returned to depositors as remuneration on the cash held in their accounts, which could occur as competitive pressure emerges and a fight for deposits begins among banks and other financial institutions.

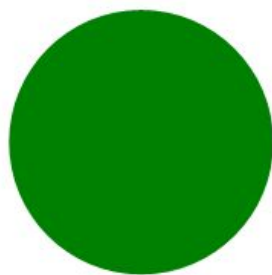
Opex growth, although quite substantial, was due largely to the rise in staff headcount (+7% yoy), higher variable remuneration (CHF9.7m vs CHF3.1m for H1-22), higher marketing expenses (+21% yoy) and investments in growth. The management indicated that the group remained committed to investing in technology as it remains a critical element in improving services for customers and attracting new business and fresh money, thus sticking to future pre-tax margin improvement instead of the current pre-tax margin maximization.

All in all, the H1 was an illustration of how Swissquote's business model remains one of economies-of-scale, leaving the online bank and broker well positioned to contend with the potentially uncertain coming market environment.

■ Impact

The results were slightly above our estimates. Given the upgraded 2023 guidance, we may review upward our forecasts.

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	CHFM	408	533	610
Change in sales	%	-13.6	30.6	14.5
Change in staff costs	%	-17.2	16.0	4.43
EBITDA	CHFM	226	308	360
EBITDA(R) margin	%	55.6	58.0	59.1
Depreciation	CHFM	-32.8	-40.0	-45.8
Underlying operating profit	CHFM	193	268	314
Operating profit (EBIT)	CHFM	186	263	310
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM		-2.02	-2.60
Exceptional items & other	CHFM			
Corporate tax	CHFM	-29.0	-38.8	-45.5
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	157	224	264
NOPAT	CHFM	140	199	234

Cashflow Statement

		12/22A	12/23E	12/24E
EBITDA	CHFM	226	308	360
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	-23.8	-38.8	-45.5
Exceptional items	CHFM			
Other operating cash flows	CHFM	-78.1	-65.9	-67.9
Total operating cash flows	CHFM	124	203	246
Capital expenditure	CHFM	-51.7	-53.3	-61.0
Total investment flows	CHFM	-51.7	-53.3	-61.0
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-33.0	-32.7	-33.5
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	-11.9	-11.9	-11.9
Total financial flows	CHFM	-48.6	-46.4	-46.7
Change in cash position	CHFM	23.6	103	139
Free cash flow (pre div.)	CHFM	72.2	150	185

Per Share Data

		12/22A	12/23E	12/24E
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	10.6	15.1	17.8
Restated NAV per share	CHF			
Net dividend per share	CHF	2.20	2.25	2.35

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 252	35%	● sino AG
NAV/SOTP per share	CHF 229	20%	
EV/Ebitda	CHF 295	20%	
P/E	CHF 214	10%	
Dividend Yield	CHF 65.3	10%	
P/Book	CHF 250	5%	
TARGET PRICE	CHF 234	100%	

NAV/SOTP Calculation

Balance Sheet

		12/22A	12/23E	12/24E
Goodwill	CHFM	55.8	55.8	55.8
Total intangible	CHFM	131	135	139
Tangible fixed assets	CHFM	72.5	76.1	79.9
Financial fixed assets	CHFM	4.46	4.46	4.46
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	78.6	77.1	76.8
Total assets (net of short term liab.)	CHFM	9,962	10,927	12,328
Ordinary shareholders' equity	CHFM	741	934	1,102
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	6.48	48.7	47.4
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	6.48	48.7	47.4
Tax liabilities	CHFM	1.58	1.74	2.00
Other liabilities	CHFM	9,456	10,289	11,662
Net debt (cash)	CHFM	-243	-347	-485
Total liab. and shareholders' equity	CHFM	9,962	10,927	12,328

Capital Employed

		12/22A	12/23E	12/24E
Capital employed after depreciation	CHFM	324	343	368

Profits & Risks Ratios

		12/22A	12/23E	12/24E
ROE (after tax)	%	23.2	26.7	26.0
ROCE	%	43.3	58.2	63.8
Gearing (at book value)	%	-30.7	-31.6	-37.7
Adj. Net debt/EBITDA(R)	x	-1.04	-1.10	-1.33
Interest cover (x)	x	645	-156	-137

Valuation Ratios

		12/22A	12/23E	12/24E
Reference P/E (benchmark)	x	12.5	12.5	10.6
Free cash flow yield	%	3.68	5.36	6.63
P/Book	x	2.65	2.99	2.53
Dividend yield	%	1.67	1.20	1.25

EV Calculation

		12/22A	12/23E	12/24E
Market cap	CHFM	1,962	2,793	2,793
+ Provisions	CHFM	6.48	48.7	47.4
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-243	-347	-485
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM	4.46	4.46	4.46
+ Minority interests (fair value)	CHFM			
= EV	CHFM	1,728	2,498	2,358
EV/EBITDA(R)	x	7.62	8.09	6.54
EV/Sales	x	4.23	4.69	3.86

Analyst : Sylvain Perret, Changes to Forecasts : 16/06/2023.