



Swissquote

Internet banking/Fintech / Switzerland

Swissquote's own crypto trading exchange magnifies its potential

Significant news - 05/10/2022

Swissquote has announced the launch of its own crypto trading exchange, a material innovation to improve its service to customers but also enhance the profitability of these assets. Any recovery from the crypto asset class will be incredibly lucrative for Swissquote.

Fact

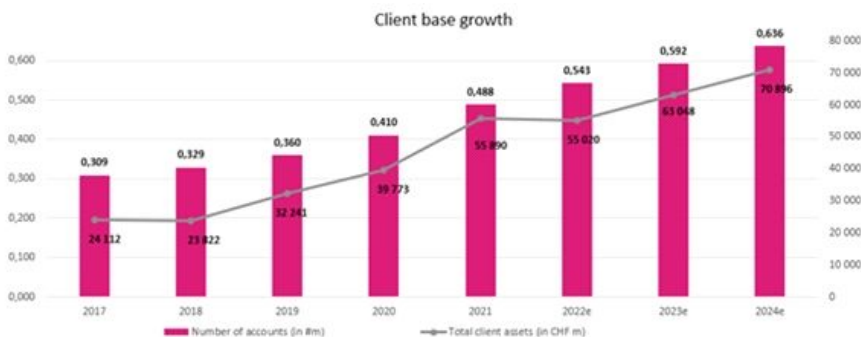
Swissquote has hitherto been using the Bitstamp and Coinbase exchanges as liquidity providers for crypto trading as well as custodian services. This means that for any order sent by a Swissquote user to buy BTC or ETH (among others) on the platform, the order would be re-directed to the Bitstamp or Coinbase exchanges. This has meant potential friction, reliance on external providers (potentially decreasing stability) for execution, liquidity and dependent upon their regular maintenance. This has also meant commission for trades (0.5% to 1%).

With its own exchange, which at first will be rolled-out to Bancor (BTN) and progressively to all 36 tokens available on the Swissquote platform, the product should considerably improve.

Analysis

Despite the crypto crash, we are convinced that Swissquote's efforts to make its exposure even more profitable is worthwhile. This bodes well for the whole investment case on the firm. In times of market turmoil, the performance is obviously impacted, although margins are expected to be maintained given that a material part of Opex is variable compensation for employees indexed on the firm's performance and that the fact that Swissquote is progressively hedging this exposure with asset-based revenues (driven, in part, by higher interest rates).

However, the continued growth in client accounts and assets is pure dry powder for when markets rebound and further highlights the very attractive and convenient product.



As such, looking at revenues, we see its as only a matter of time before Swissquote fully gains advantage of its growing customer base, even further enhanced by higher profitability on crypto products thanks to the new exchange.



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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

Buy **Upside: 68.1%**

Target Price (6 months) CHF 190

Share Price CHF 113

Market Cap. CHFM 1,732

Price Momentum **UNFAVORABLE**

Extremes 12Months 94.4 ▶ 202

Sustainability score 6.6 /10

Credit Risk AA →

Bloomberg SQN SW Equity

Reuters SQN.S



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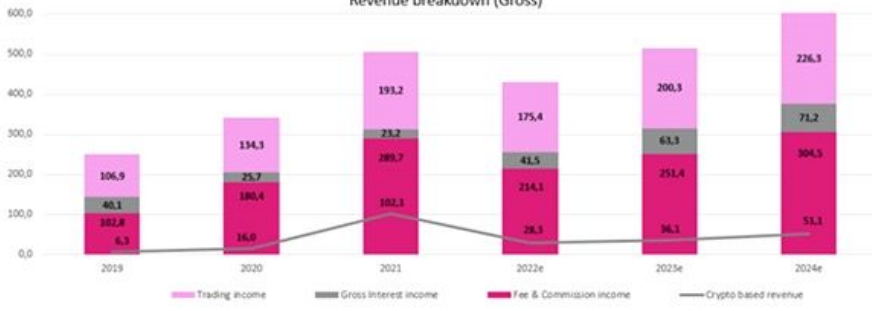


PERF	1w	1m	3m	12m
Swissquote Group Holding	6.91%	3.86%	17.4%	-30.6%
Other Financials	3.50%	-4.06%	-1.27%	-18.4%
STOXX 600	3.81%	-3.11%	-1.53%	-10.6%

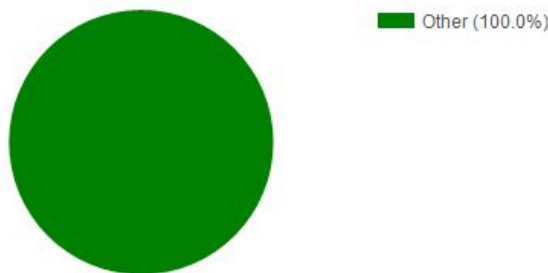
Last updated: 28/09/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	11.5	10.6	8.62	7.11
Dividend yield (%)	1.48	1.95	2.25	2.73
EV/EBITDA(R) (x)	7.85	6.19	4.68	3.46
Adjusted EPS (CHF)	13.0	10.7	13.1	15.9
Growth in EPS (%)	112	-17.9	23.0	21.2
Dividend (CHF)	2.20	2.20	2.55	3.09
Sales (CHFM)	472	400	476	556
Pretax Results margin (%)	47.3	46.5	48.1	49.9
Attributable net profit (CHFM)	193	159	195	237
ROE (after tax) (%)	36.6	23.7	25.2	24.8
Gearing (%)	-25.1	-39.3	-49.1	-48.9

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

Revenue breakdown (Gross)



Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	CHFM	472	400	476
Change in sales	%	48.9	-15.3	19.1
Change in staff costs	%	18.8	-17.6	9.25
EBITDA	CHFM	255	219	267
EBITDA(R) margin	%	54.1	54.9	56.2
Depreciation	CHFM	-31.3	-27.3	-32.5
Underlying operating profit	CHFM	223	191	234
Operating profit (EBIT)	CHFM	223	186	229
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM		-1.26	-1.16
Exceptional items & other	CHFM			
Corporate tax	CHFM	-30.2	-27.7	-33.9
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	193	159	195
NOPAT	CHFM	156	131	161

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	CHFM	255	219	267
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	-19.1	-27.7	-33.9
Exceptional items	CHFM			
Other operating cash flows	CHFM	46.8	23.8	-44.9
Total operating cash flows	CHFM	282	215	188
Capital expenditure	CHFM	-28.0	-40.0	-47.6
Total investment flows	CHFM	-28.0	-40.0	-47.6
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-22.3	-32.7	-32.7
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	-25.0	-34.2	-34.4
Change in cash position	CHFM	229	140	106
Free cash flow (pre div.)	CHFM	254	175	140

Per Share Data

		12/21A	12/22E	12/23E
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	13.0	10.7	13.1
Restated NAV per share	CHF			
Net dividend per share	CHF	2.20	2.20	2.55

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 223	35%	● Euronext NV
NAV/SOTP per share	CHF 152	20%	● London Stock Exch...
EV/Ebitda	CHF 215	20%	● Deutsche Boerse
P/E	CHF 212	10%	● Amundi
Dividend Yield	CHF 108	10%	● DWS
P/Book	CHF 134	5%	● Julius Baer
TARGET PRICE	CHF 190	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	CHFM	44.5	56.5	56.5
Total intangible	CHFM	101	122	122
Tangible fixed assets	CHFM	70.0	69.4	77.1
Financial fixed assets	CHFM	11.2	8.34	8.34
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	54.5	84.4	82.4
Total assets (net of short term liab.)	CHFM	8,826	10,144	11,124
Ordinary shareholders' equity	CHFM	615	720	827
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	11.0	32.3	31.0
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	11.0	32.3	31.0
Tax liabilities	CHFM	1.67	1.36	1.50
Other liabilities	CHFM	8,410	9,744	10,723
Net debt (cash)	CHFM	-213	-353	-459
Total liab. and shareholders' equity	CHFM	8,826	10,144	11,124

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	CHFM	282	344	366

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	36.6	23.7	25.2
ROCE	%	55.7	38.3	44.2
Gearing (at book value)	%	-25.1	-39.3	-49.1
Adj. Net debt/EBITDA(R)	x	-0.80	-1.58	-1.69
Interest cover (x)	x	745	-200	-274

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	11.5	10.6	8.62
Free cash flow yield	%	11.5	10.4	8.33
P/Book	x	3.60	2.34	2.03
Dividend yield	%	1.48	1.95	2.25

EV Calculation

		12/21A	12/22E	12/23E
Market cap	CHFM	2,213	1,681	1,681
+ Provisions	CHFM	11.0	32.3	31.0
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-213	-353	-459
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM	11.2	8.34	8.34
+ Minority interests (fair value)	CHFM			
= EV	CHFM	2,007	1,359	1,252
EV/EBITDA(R)	x	7.85	6.19	4.68
EV/Sales	x	4.25	3.40	2.63

Analyst : Grégoire Hermann, Changes to Forecasts : 28/09/2022.