



Swissquote

Internet banking/Fintech / Switzerland

More tailwinds

Latest - 24/04/2020

Swissquote has managed to navigate successfully (in relative terms vs the Stoxx 600 and the European banking index) through the sanitary crisis (as evidenced in the graph below).



Fact

As the company already flagged a month ago (cf our 17 March Latest on the company), the incredible level of volatility has benefited volumes strongly (in both Securities trading and Leveraged FX).

On top, Swissquote has been experiencing a sharp increase in demand for opening accounts (at 1,000 per week in January and February and even 4,000 in March vs 500 per week "normally"). These openings still have to translate into revenues but it is still fair to consider that these will positively impact Swissquote's top line.

The development of InternaXX with the Swissquote standards will also help the Swiss fintech to both develop existing business within InternaXX and increase its footprint in the European Union.

Contrary to asset managers which make (almost) linear revenues through the level of assets under management, Swissquote is far from being dependent on assets under custody as fees on assets are capped at CHF100 per year for clients. Hence, the decrease in assets will not (really) penalise the Swiss fintech.

The main headwind from the drop in assets is the parallel drop in US interest rates which will negatively impact the company's net interest income.

We have been more conservative than management regarding the 2022 estimates. Management had forecast CHF325m revenues with a CHF100m pre-tax operating income which we find much too optimistic.

As tailwinds are gathering for the company, we are now more confident in (almost) closing the gap with management's expectations. We indeed now forecast revenues roughly in line with guidance (at CHF335m vs CHF325m) and we expect an operating income before tax at CHF98m (vs CHF100m expected).

In terms of short-term momentum, we are more optimistic than management as we expect a 15% increase in revenues yoy in 2020 (vs >10%) and an 18% increase in net profit (vs above 10%).



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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: 25.8%
Target Price (6 months)	CHF 71.7
Share Price	CHF 57.0
Market Cap. CHFM	874
Price Momentum	GOOD
Extremes 12Months	35.6 ▶ 63.0
Bloomberg	SQN SW Equity
Reuters	SQN.S



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PERF	1w	1m	3m	12m
Swissquote Group Holding	2.52%	3.26%	-4.36%	49.2%
Other financials	-1.36%	4.02%	-19.5%	-4.93%
STOXX 600	-1.16%	5.17%	-22.2%	-15.7%

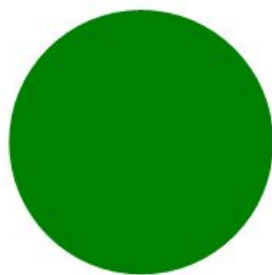
Last updated: 17/01/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	18.6	14.4	15.3	13.6
Dividend yield (%)	1.75	2.38	1.96	2.21
EV/EBITDA(R) (x)	8.41	6.23	7.38	6.48
Adjusted EPS (CHF)	3.07	2.91	3.72	4.20
Growth in EPS (%)	-14.5	-4.97	27.6	12.9
Dividend (CHF)	1.00	1.00	1.12	1.26
Sales (CHFm)	223	230	265	296
Pretax Results margin (%)	24.1	21.2	23.3	23.3
Attributable net profit (CHFm)	44.7	43.4	55.3	62.5
ROE (after tax) (%)	13.8	12.7	16.5	17.9
Gearing (%)	-36.5	-41.5	-37.5	-38.3

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■ Impact

We have had a Buy and Add recommendation on the company since we initiated coverage in October 2019. Increasing our target price despite the current turmoil will only strengthen our conviction on the quality of the Swiss fintech.

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	CHFM	223	230	265
Change in sales	%	18.9	3.16	15.0
Change in staff costs	%	13.3	9.40	12.0
EBITDA	CHFM	83.4	81.1	97.8
EBITDA(R) margin	%	37.8	35.7	37.3
Depreciation	CHFM	-21.0	-24.7	-27.7
Underlying operating profit	CHFM	62.4	56.4	70.1
Operating profit (EBIT)	CHFM	53.9	51.0	65.1
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM		-0.86	-0.75
Exceptional items & other	CHFM			
Corporate tax	CHFM	-9.20	-7.65	-9.77
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	44.7	43.4	55.3
NOPAT	CHFM	37.7	36.3	46.1

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	CHFM	83.4	81.1	97.8
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	-10.3	-7.65	-9.77
Exceptional items	CHFM			
Other operating cash flows	CHFM	19.0	-25.0	-36.3
Total operating cash flows	CHFM	92.1	48.5	51.7
Capital expenditure	CHFM	-26.0	-28.4	-31.9
Total investment flows	CHFM	-26.0	-59.8	-31.9
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-13.0	-14.6	-14.9
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	28.7	0.00	0.00
Total financial flows	CHFM	15.7	-13.7	-14.1
Change in cash position	CHFM	81.8	-25.1	5.73
Free cash flow (pre div.)	CHFM	66.1	20.0	19.9

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Mio	14.9	14.9	14.9
Number of diluted shares (average)	Mio	14.6	14.9	14.9
Benchmark EPS	CHF	3.07	2.91	3.72
Restated NAV per share	CHF			
Net dividend per share	CHF	1.00	1.00	1.12

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 73.5	35%	■ Euronext NV
NAV/SOTP per share	CHF 59.4	20%	■ London Stock Exch...
EV/Ebitda	CHF 83.1	20%	■ Deutsche Boerse
P/E	CHF 79.8	10%	■ Amundi
Dividend Yield	CHF 72.9	10%	■ DWS
P/Book	CHF 44.5	5%	■ VIEL & Cie
TARGET PRICE	CHF 71.7	100%	■ UBS
			■ Julius Baer

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	CHFM	40.1	40.9	41.7
Total intangible	CHFM	91.5	93.3	95.2
Tangible fixed assets	CHFM	59.0	60.2	61.4
Financial fixed assets	CHFM			
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	33.6	34.3	35.0
Total assets (net of short term liab.)	CHFM	5,298	5,404	5,512
Ordinary shareholders' equity	CHFM	352	330	340
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	4.60	4.03	4.07
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	4.60	4.03	4.07
Tax liabilities	CHFM	5.74	5.85	5.97
Other liabilities	CHFM	5,087	5,189	5,293
Net debt (cash)	CHFM	-150	-125	-130
Total liab. and shareholders' equity	CHFM	5,300	5,404	5,512

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	CHFM	215	219	223

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	13.8	12.7	16.5
ROCE	%	17.9	16.9	20.9
Gearing (at book value)	%	-36.5	-41.5	-37.5
Adj. Net debt/EBITDA(R)	x	-1.69	-1.43	-1.25
Interest cover (x)	x	209	-101	-156

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	18.6	14.4	15.3
Free cash flow yield	%	7.79	3.20	2.34
P/Book	x	2.41	1.89	2.49
Dividend yield	%	1.75	2.38	1.96

EV Calculation

		12/18A	12/19E	12/20E
Market cap	CHFM	848	625	848
+ Provisions	CHFM	4.60	4.03	4.07
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-150	-125	-130
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM			
+ Minority interests (fair value)	CHFM			
= EV	CHFM	710	512	729
EV/EBITDA(R)	x	8.41	6.23	7.38
EV/Sales	x	3.18	2.22	2.75

Analyst : Farhad Moshiri, Changes to Forecasts : 17/01/2020.