



Swissquote

Internet banking/Fintech / Switzerland

Swissquote meets 2022 expectations; onwards into 2023

Earnings/sales releases - 16/01/2023

Swissquote released FY 22 preliminary figures fully in line with our expectations and guidance, although net new monies and client assets were slightly lower than our bullish forecasts.

On March 16th, Swissquote will release its full financial statements as well as the dividend information. All eyes will be on the yield, the revenue contributors and the number of client accounts.

Fact

FY 22 preliminary results:

- Net revenues above CHF 400m
- Pre-tax profit of at least CHF 185m
- Client assets of CHF 52.2bn
- Net new monies of CHF 7.7bn

Analysis

2022 now behind us

Swissquote's preliminary full-year 2022 results were satisfactory, the firm is attaining its guidance objectives (CHF 400-420m net revenues and pre-tax profit of c. CHF 190m).

Note that these objectives had been revised downwards from those released at FY 21 (CHF 475m of net revenues and CHF 225m of pre-tax profit).

These numbers are fully in line with our expectations (Net revenues of CHF 400m and Pre-tax profit of CHF 186m) and should even outperform these depending on the magnitude implied in "Net revenues above CHF 400m" and "pre-tax profit of at least CHF 185m".

We had been expecting client assets and net new monies of CHF 55bn (+5.3% vs. prelim. figures) and CHF 8.2bn (+6.5% vs. prelim. figures) respectively. The full-year presentation will unveil the number of client accounts, key for the reading of such results.

In fact, these figures imply c. CHF 2.8bn of new monies in H2 22 (-40% yoy) and a decrease of c. 6.6% yoy of client assets.

One question to be answered is whether net new monies have been fed by a constant continued growth in customer accounts or existing clients adding additional funds to their accounts. In our view it was the first option that was behind the increase in net new monies given the mixed performance of financial markets during the second half of the year, impeding individuals' increased allocation of assets to those offered by Swissquote.

With client assets of c. CHF 51.8bn at the HY 22 and implied net new monies of c. CHF 2.8bn in H2 22, the numbers imply that the markets wiped out c. CHF 2.4bn of assets (c.4.4% of client assets) in the second half of the year (as per CHF 52.2bn of client assets for FY 22).

In contrast, since the obtention of its European license to advertise its products (resulting from the acquisition of KeyTrade Bank), the firm has been aggressively marketing its solutions across Europe and we believe this has been efficient.



Grégoire HERMANN

otherfinancials@alphavalue.eu

+33 (0) 1 70 61 10 50

corporate.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

Add	Upside: 24.7%
Target Price (6 months)	CHF 196
Share Price	CHF 157
Market Cap. CHFM	2,405
Price Momentum	STRONG
Extremes 12Months	94.4 ▶ 174
Sustainability score	6.4 /10
Credit Risk	AA →
Bloomberg	SQN SW Equity
Reuters	SQN.S



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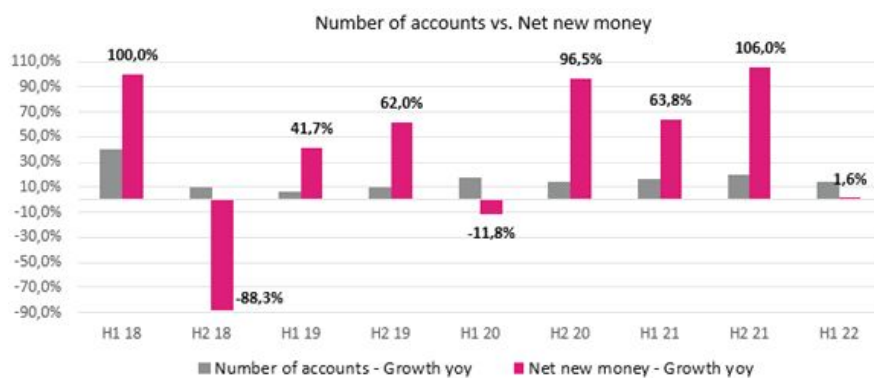
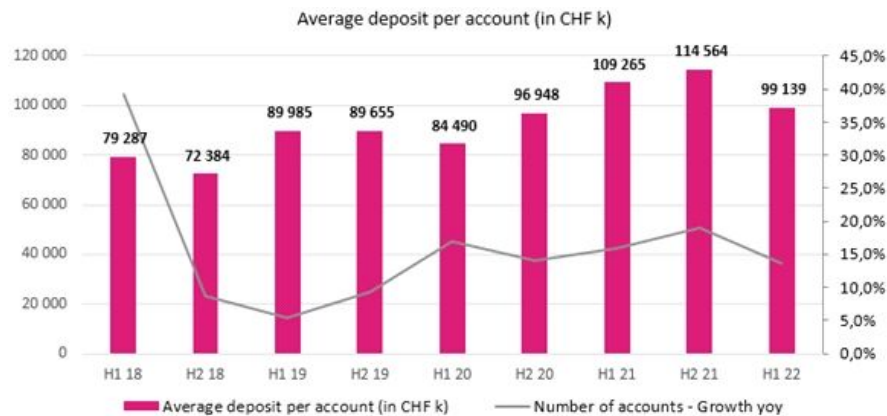
PERF	1w	1m	3m	12m
Swissquote Group Holding	12.5%	10.1%	50.0%	-9.71%
Other Financials	3.63%	3.26%	18.0%	-11.1%
STOXX 600	1.83%	2.27%	16.3%	-6.89%

Last updated: 28/09/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	11.5	12.4	12.0	9.87
Dividend yield (%)	1.48	1.67	1.62	1.97
EV/EBITDA(R) (x)	7.85	7.48	7.12	5.49
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](#)

An impressive start to 2023

The customer accounts figure will matter as we are believers in the potential for customers to add additional funds to their accounts as they discover the platform but also see more favourable market conditions.



As mentioned above, we see customer growth as dry powder in that we expect them to contribute additional funds under better market conditions. We also believe that, when customers join the platform, they do not directly add the whole amount of money they have allocated to financial markets but rather fund their accounts progressively.

Hence, an uptick in financial markets and a softening in a global recession vs. expected could trigger such new contributions.

Note the following performances of indices and cryptocurrencies YTD:

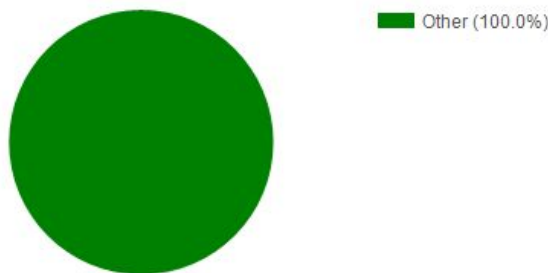
- Stoxx 600 c. +5.5%
- S&P 500 c. +4.6%
- Nasdaq 100 c. +6.25%
- BTC c. +24.4%
- ETH c. +27.9%

A lot can obviously happen throughout the year as the markets remain febrile but any sustained recovery would be positive at least in terms of feeding in additional deposits, which will benefit the firm through interest collected.

■ Impact

Our figures are fully in line with the preliminary figures, and we will look to update our model following the publication of the full financial statements'.

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 222	35%	● Euronext NV
NAV/SOTP per share	CHF 152	20%	● London Stock Exch...
EV/Ebitda	CHF 234	20%	● Deutsche Boerse
P/E	CHF 232	10%	● Amundi
Dividend Yield	CHF 102	10%	● DWS
P/Book	CHF 145	5%	● Julius Baer
TARGET PRICE	CHF 196	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	12.4	12.0
Free cash flow yield	%	11.5	8.89	6.00
P/Book	x	3.60	2.73	2.82
Dividend yield	%	1.48	1.67	1.62

EV Calculation

		12/21A	12/22E	12/23E
Market cap	CHFM	2,213	1,964	2,335
+ 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	1,642	1,906
EV/EBITDA(R)	x	7.85	7.48	7.12
EV/Sales	x	4.25	4.10	4.00

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