



Swissquote

Internet banking/Fintech / Switzerland

Revenue decreased but client growth is pure dry power

Earnings/sales releases - 10/08/2022

As expected Swissquote took a hit from the financial market turmoil. Clients' assets decreased from CHF 55.9bn at FY 21 to CHF 51.8bn with a material impact from the crypto asset class. However, the continued and sustainable client growth is a tremendous asset as it sustainably fuels the pool of cash deposits, diversifying the stream of revenues (from interest rates), while adding up to revenue potential as soon as markets recover.

Fact

H1 22 Results:

- Net Revenues of CHF 200m (down 24.4% yoy and down 3.9% sequentially), slightly below our expectations (c.CHF 210m)
- Pre-tax profit of CHF 90.7m, down 32.7% yoy and up 2.2% sequentially, implying a margin of 45.3% (vs. 50.9% at FY 21 and 42.6% at H2 21)
- +34k accounts added in the period yielding CHF 5bn of net new money (of which CHF 1.7bn of non-organic inflows from KeyTrade portfolio)
- Launch of a new crypto exchange, improving Swissquote's crypto service and enhancing revenues from the asset class
- FY 22 guidance revised downwards to CHF 400-420m in Net revenues and CHF 190m in Pre-tax profit on the back of prudent assumptions
- Guidance 2025 maintained

Analysis

As expected, Swissquote's H1 22 results were impacted by the current environment. In fact, with markets tumbling, clients have been less inclined to trade (c.3.2m trades on securities vs. 3.6m and 3.5m the last two periods) and their overall assets have taken a hit (especially cryptos, with assets under custody decreasing from CHF 2.8bn to CHF 1.1bn).

This translated into a 6.7% yoy decrease in Net fee & commission income to CHF 81.3m (an absolute negative variation of CHF 5.8m) while Net crypto asset income decreased by 69.2% yoy to CHF 19.45m (or an absolute negative variation of CHF 43.8m while the group's revenues decreased by CHF 61.6m).

In fact, excluding the crypto shock we have seen over the past half year, the tumbling markets would have been fairly addressed by Swissquote, on the back of higher interest rates and very strong customer growth which have a lot to deliver in the coming months.

The firm recorded 34k new accounts (of which 8k from KeyTrade Bank) which represented 8% of HY 22 net revenues. On top of this, we believe that some of these new accounts (those from Key Trade) could actually yield further revenues as the full integration of the clients occurred at the end of May, requiring adaptation to a new platform. We believe that this steady growth in clients has the potential to offset much of the impact of unstable financial markets, while it is reasonable not to expect a crypto shock of a similar magnitude to the one we have seen in recent months.

On top of this, the increase in client deposits coupled with higher interest rates



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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: 96.7%
Target Price (6 months)	CHF 216
Share Price	CHF 110
Market Cap. CHFM	1,682
Price Momentum	GOOD
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	-0.99%	5.68%	-13.3%	-30.4%
Other Financials	0.81%	3.85%	15.4%	-17.2%
STOXX 600	-0.02%	4.52%	4.44%	-7.37%

Last updated: 20/06/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	11.5	8.89	7.86	6.89
Dividend yield (%)	1.48	2.18	2.47	2.82
EV/EBITDA(R) (x)	7.85	5.46	4.46	3.51
Adjusted EPS (CHF)	13.0	12.3	14.0	15.9
Growth in EPS (%)	112	-4.89	13.1	14.1
Dividend (CHF)	2.20	2.40	2.71	3.09
Sales (CHFM)	472	463	512	570
Pretax Results margin (%)	47.3	45.9	46.9	48.1
Attributable net profit (CHFM)	193	184	208	237
ROE (after tax) (%)	36.6	24.8	22.4	22.7
Gearing (%)	-25.1	-30.9	-37.9	-44.7

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

adds-up to Swissquote's potential to derive asset-based revenue, hedging away from the negative impact on transaction revenue from financial market instability. In fact, 18% of client assets are deposited (c.CHF 9.3bn) of which CHF 6.5bn will benefit from higher rates (deposits are split 20% / 60% / 20% among USD, CHF, and EUR respectively).

As specified by the management, we can expect a positive contribution of net interest income of c.CHF42m (conservative assumption).

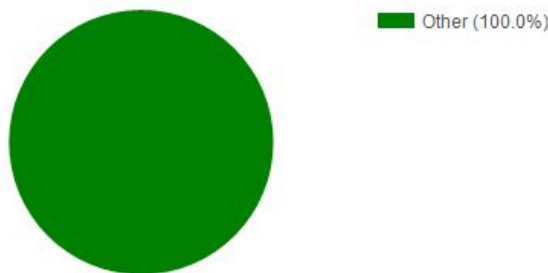
Despite that, Swissquote managed to tightly control its expenses with a pre-tax margin of 45.3%, which is above the level of the previous 6 months (42.6%).

We are thus confident that the growth in accounts, as well as the identified behaviour on the platform (no panic selling or outflow of assets) demonstrates the sustainability of the customer base and should be a strong lever under better market conditions.

■ Impact

Swissquote revised downwards its FY 22 guidance but kept the FY 25 objectives intact. We will adjust our model based on the published figures but do not expect any change in recommendation. We strongly reiterate our opinion on the stock.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	CHFM	472	463	512
Change in sales	%	48.9	-1.98	10.5
Change in staff costs	%	18.8	2.51	3.02
EBITDA	CHFM	255	244	275
EBITDA(R) margin	%	54.1	52.9	54.0
Depreciation	CHFM	-31.3	-31.6	-34.9
Underlying operating profit	CHFM	223	212	240
Operating profit (EBIT)	CHFM	223	212	240
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	-28.8	-32.5
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	193	184	208
NOPAT	CHFM	156	150	169

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	CHFM	255	244	275
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	-28.8	-32.5
Exceptional items	CHFM			
Other operating cash flows	CHFM	46.8	-25.0	-47.9
Total operating cash flows	CHFM	282	190	195
Capital expenditure	CHFM	-28.0	-46.3	-51.2
Total investment flows	CHFM	-28.0	-46.3	-51.2
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-22.3	-32.7	-35.7
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	-37.3
Change in cash position	CHFM	229	110	106
Free cash flow (pre div.)	CHFM	254	144	143

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	12.3	14.0
Restated NAV per share	CHF			
Net dividend per share	CHF	2.20	2.40	2.71

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 260	35%	● DWS
NAV/SOTP per share	CHF 194	20%	● Deutsche Boerse
EV/Ebitda	CHF 219	20%	● Julius Baer
P/E	CHF 219	10%	● London Stock Exch...
Dividend Yield	CHF 118	10%	● Amundi
P/Book	CHF 171	5%	● Euronext NV
TARGET PRICE	CHF 216	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	CHFM	44.5	44.5	44.5
Total intangible	CHFM	101	101	101
Tangible fixed assets	CHFM	70.0	73.5	77.1
Financial fixed assets	CHFM	11.2	11.2	11.2
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	54.5	56.9	59.7
Total assets (net of short term liab.)	CHFM	8,826	9,700	11,015
Ordinary shareholders' equity	CHFM	615	865	989
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	1.92	2.21
Other liabilities	CHFM	8,410	9,123	10,421
Net debt (cash)	CHFM	-213	-322	-428
Total liab. and shareholders' equity	CHFM	8,826	9,700	11,015

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	CHFM	282	300	319

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	36.6	24.8	22.4
ROCE	%	55.7	50.2	53.1
Gearing (at book value)	%	-25.1	-30.9	-37.9
Adj. Net debt/EBITDA(R)	x	-0.80	-1.29	-1.53
Interest cover (x)	x	745	-222	-281

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	11.5	8.89	7.86
Free cash flow yield	%	11.5	8.82	8.79
P/Book	x	3.60	1.89	1.65
Dividend yield	%	1.48	2.18	2.47

EV Calculation

		12/21A	12/22E	12/23E
Market cap	CHFM	2,213	1,632	1,632
+ 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	-322	-428
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM	11.2	11.2	11.2
+ Minority interests (fair value)	CHFM			
= EV	CHFM	2,007	1,338	1,231
EV/EBITDA(R)	x	7.85	5.46	4.46
EV/Sales	x	4.25	2.89	2.41

Analyst : Grégoire Hermann, Changes to Forecasts : 20/06/2022.