



Swissquote

Internet banking/Fintech / Switzerland

Positive momentum ahead despite an unstable global environment

Update - 25/03/2022

Change in Opinion

Buy vs Add

We raise our recommendation to Buy following the FY 21 release and the integration of the firm's ambitions. In fact, while 2021 has been an impressive year top-line and profitability wise for Swissquote, 2022 is expected to deliver the same absolute performance.

In fact, while one could expect 2022 to be rather grey given the current global environment and the fears of recession, we believe Swissquote to be well armed to face this challenging environment.

We expect the firm to increase its customer base consistently, offsetting the potential decrease in trading activity per customer, while we also consider that Swissquote's customer profile (average trade of c.€20,000) should not be the most impacted by a global/ European recession.

Moreover, Swissquote is diversifying its product offering further with additional assets available to trade such as cryptos and crypto staking. The latter being a potential strong hedge against the financial markets' turmoil and increasing reliance on asset-based revenues.

Propelled by an improving rates environment and a strong balance sheet, Swissquote also has the levers to go through these uncertain times swiftly and deliver all its potential as the global situation recovers.

Change in Target Price

CHF 231 vs 213 +8.60%

Our target price increases as we update our model with the FY 21 figures and integrate management's updated ambitions. The increase is mainly driven by a DCF improvement, the NAV restatement and the P/Book valuation improvement, on the back of shareholders' equity materially growing.

Change in EPS

2022 : CHF 13.1 vs 12.9 +1.49%
2023 : CHF 16.0 vs 13.7 +16.8%

EPS grow materially as we integrate the firm's ambitions in our forecasts. While EPS 2022 is expected flattish vs. 2021, we believe in a material improvement in 2023 driven by a strong top-line growth propelled by customer onboardings, strong net new money flows, increased trading of crypto assets and an improving rates environment wrapped into an easing of the current global tensions.

Change in DCF

CHF 288 vs 228 +26.4%

In accordance with the EPS, our DCF valuation increases materially as we consider the firm's ambitions for its top-line growth and pre-tax margin. We believe these to be achievable thanks to a more favourable environment and a structurally well diversified company. We expect pre-tax profit margins to be stable at around 47% over 2023 and 2024.



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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 : 40.9%

Target Price (6 months)	CHF 231
Share Price	CHF 164
Market Cap. CHFM	2,511
Price Momentum	UNFAVORABLE
Extremes 12Months	117 ▶ 206
Bloomberg	SQN SW Equity
Reuters	SQN.S



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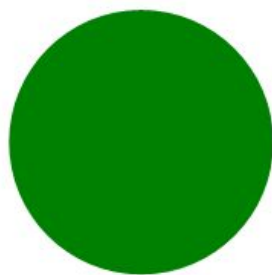


PERF	1w	1m	3m	12m
Swissquote Group Holding	-4.66%	6.09%	-16.2%	31.8%
Other Financials	-0.26%	1.14%	-7.11%	2.13%
SXXR Index	0.63%	-0.08%	-5.65%	9.43%

Last updated: 25/03/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	11.5	12.5	10.3	8.76
Dividend yield (%)	1.48	1.56	1.89	2.22
EV/EBITDA(R) (x)	7.85	8.25	6.40	5.05
Adjusted EPS (CHF)	13.0	13.1	16.0	18.7
Growth in EPS (%)	112	1.18	21.6	17.1
Dividend (CHF)	2.20	2.55	3.10	3.63
Sales (CHFM)	472	485	581	678
Pretax Results margin (%)	47.3	46.6	47.3	47.4
Attributable net profit (CHFM)	193	195	238	278
ROE (after tax) (%)	36.6	26.7	25.8	27.0
Gearing (%)	-25.1	-31.9	-39.3	-49.3

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

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	CHFM	472	485	581
Change in sales	%	48.9	2.74	19.7
Change in staff costs	%	18.8	5.53	12.2
EBITDA	CHFM	255	258	313
EBITDA(R) margin	%	54.1	53.4	54.1
Depreciation	CHFM	-31.3	-32.2	-38.5
Underlying operating profit	CHFM	223	226	275
Operating profit (EBIT)	CHFM	223	226	275
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	-30.6	-37.2
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	193	195	238
NOPAT	CHFM	156	159	193

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	CHFM	255	258	313
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	-30.6	-37.2
Exceptional items	CHFM			
Other operating cash flows	CHFM	46.8	-29.8	-53.8
Total operating cash flows	CHFM	282	198	222
Capital expenditure	CHFM	-28.0	-48.5	-58.1
Total investment flows	CHFM	-28.0	-48.5	-58.1
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-22.3	-32.7	-37.9
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	-39.6
Change in cash position	CHFM	229	115	125
Free cash flow (pre div.)	CHFM	254	149	164

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	13.1	16.0
Restated NAV per share	CHF			
Net dividend per share	CHF	2.20	2.55	3.10

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 288	35%	● DWS
NAV/SOTP per share	CHF 194	20%	● Deutsche Boerse
EV/Ebitda	CHF 229	20%	● Julius Baer
P/E	CHF 252	10%	● London Stock Exch...
Dividend Yield	CHF 123	10%	● Amundi
P/Book	CHF 162	5%	● Euronext NV
TARGET PRICE	CHF 231	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	9,678	10,805
Ordinary shareholders' equity	CHFM	615	848	991
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	10,233
Net debt (cash)	CHFM	-213	-328	-452
Total liab. and shareholders' equity	CHFM	8,826	9,678	10,805

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	26.7	25.8
ROCE	%	55.7	53.3	60.7
Gearing (at book value)	%	-25.1	-31.9	-39.3
Adj. Net debt/EBITDA(R)	x	-0.80	-1.24	-1.42
Interest cover (x)	x	745	-236	-322

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	11.5	12.5	10.3
Free cash flow yield	%	11.5	6.12	6.74
P/Book	x	3.60	2.88	2.46
Dividend yield	%	1.48	1.56	1.89

EV Calculation

		12/21A	12/22E	12/23E
Market cap	CHFM	2,213	2,437	2,437
+ 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	-328	-452
+ 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	2,138	2,012
EV/EBITDA(R)	x	7.85	8.25	6.40
EV/Sales	x	4.25	4.40	3.46

Analyst : Grégoire Hermann, Changes to Forecasts : 25/03/2022.