



Swissquote

Internet banking/Fintech / Switzerland

Unrelenting customer growth - again

Earnings/sales releases - 17/03/2023

After releasing preliminary FY 22 results a few weeks ago, Swissquote released its detailed figures this morning. The firm confirmed its robustness in the face of very tough market conditions. Customer growth continues to be sustained despite the inflationary environment, confirming the effectiveness of an anti-mass market product. Interest income gives the firm a natural hedge against financial market volatility.

We confirm our investment thesis and our positive opinion.

Fact

FY 22 release

- Sales ended at CHF 408m (-13.5% yoy) vs. CHF 400m (AV estimates) and CHF 407.8m (BBG Cons.)
- Number of accounts rose 10.5% to c.539k vs. 543k (AV estimates)
- Client assets reached CHF 52.2bn (from CHF 55.9bn in 2021) vs. CHF 55bn (AV estimates)
- Pre-tax profit stands at CHF 187m vs. CHF 186m (AV estimates) and CHF 187m (BBG Cons.)
- Pre-tax profit margin robust of 45.7% vs. 47.3% in 2021
- Net profit of CHF 157m vs. CHF 159m (AV estimates) and CHF 159m (Cons.)
- DPS of CHF 2.2 vs. CHF 2.2 (AV Estimates) and CHF 2.6 (BBG Cons.)

Analysis

Swissquote confirmed the positive feeling generated by the preliminary FY 22 results. Sales remain robust, in-line with the guidance, while the latter has been confirmed for 2025 – which is a positive given that it had initially been set in a wholly different context.

Interest rates compensated for the decline in transactions which is a great asset for the firm. In our view higher rates, which have resulted in half-mast transaction volumes for the retail brokerage platforms, will continue to generate high interest income for the firm as they continue to rise but also more customers join the platform.

As stressed by the management, the good news is that platform customers are not using Swissquote as a regular bank from which they would expect to receive interest income. Instead they use it as a portfolio management tool. The share of cash deposits as a percentage of customer assets has increased from 15% to 18% yoy, and this is not only due to lower Assets Under Custody. Although this represents a modest increase in CHF-amount (from an average cash deposit per customer CHF 17.2k to CHF 17.4k), the continued growth in customers will continue to feed this pool of cash as well as transaction volumes.

In fact, the firm has recorded 10.5% growth in accounts yoy and, as we have said in the past, we believe that the past 12 months growth in customer accounts offers substantial potential for further volumes given that:

1. New customers should progressively add funds as they become familiar with



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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: 45.9%

Target Price (6 months)	CHF 230
Share Price	CHF 158
Market Cap. CHFM	2,416
Price Momentum	STRONG
Extremes 12Months	94.4 ▶ 182
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	-13.2%	-9.89%	19.3%	-1.02%
Other Financials	-2.76%	-5.25%	2.86%	-3.05%
STOXX 600	-3.99%	-4.49%	3.98%	-1.52%

Last updated: 07/03/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	11.5	12.4	11.7	9.91
Dividend yield (%)	1.48	1.67	1.67	1.96
EV/EBITDA(R) (x)	7.85	7.55	7.00	5.55
Adjusted EPS (CHF)	13.0	10.7	13.5	15.9
Growth in EPS (%)	112	-17.9	26.9	17.6
Dividend (CHF)	2.20	2.20	2.63	3.09
Sales (CHFM)	472	400	486	557
Pretax Results margin (%)	47.3	46.5	48.6	49.9
Attributable net profit (CHFM)	193	159	201	237
ROE (after tax) (%)	36.6	24.0	26.5	25.1
Gearing (%)	-25.1	-40.2	-50.2	-50.1

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

the tool

2. Customers that have joined within this window have faced tumultuous markets, massively impeding trading massively

■ Impact

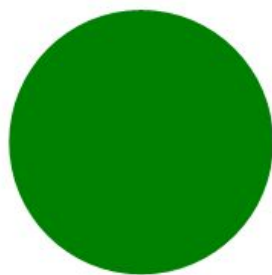
We are confident that Swissquote will meet its objectives. On top of a sustained growth, the firm has an extremely disciplined cost management policy.

The DPS of CHF 2.2 (in line with our expectations), similar to the 2021 level, is a material sign of resilience given the variation of the firm's profitability year on year.

We also like the fact that the firm has some cash at hand to finance new projects.

Our investment thesis is confirmed and our model update will not lead to a change in recommendation.

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	CHFM	472	400	486
Change in sales	%	48.9	-15.3	21.5
Change in staff costs	%	18.8	-17.6	9.25
EBITDA	CHFM	255	219	274
EBITDA(R) margin	%	54.1	54.9	56.6
Depreciation	CHFM	-31.3	-27.3	-33.2
Underlying operating profit	CHFM	223	191	241
Operating profit (EBIT)	CHFM	223	186	236
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM		-2.02	-2.60
Exceptional items & other	CHFM			
Corporate tax	CHFM	-30.2	-27.7	-35.0
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	193	159	201
NOPAT	CHFM	168	141	179

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	CHFM	255	219	274
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	-35.0
Exceptional items	CHFM			
Other operating cash flows	CHFM	46.8	23.8	-47.2
Total operating cash flows	CHFM	282	215	192
Capital expenditure	CHFM	-28.0	-40.0	-48.6
Total investment flows	CHFM	-28.0	-40.0	-48.6
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	-33.4	-32.9
Change in cash position	CHFM	229	141	111
Free cash flow (pre div.)	CHFM	254	175	144

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	13.5
Restated NAV per share	CHF			
Net dividend per share	CHF	2.20	2.20	2.63

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 222	35%	● sino AG
NAV/SOTP per share	CHF 230	20%	
EV/Ebitda	CHF 299	20%	
P/E	CHF 229	10%	
Dividend Yield	CHF 95.7	10%	
P/Book	CHF 276	5%	
TARGET PRICE	CHF 230	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	11,122
Ordinary shareholders' equity	CHFM	615	704	814
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	11.0	48.7	47.4
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	11.0	48.7	47.4
Tax liabilities	CHFM	1.67	1.36	1.50
Other liabilities	CHFM	8,410	9,744	10,723
Net debt (cash)	CHFM	-213	-354	-464
Total liab. and shareholders' equity	CHFM	8,826	10,144	11,122

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	24.0	26.5
ROCE	%	59.6	41.2	49.2
Gearing (at book value)	%	-25.1	-40.2	-50.2
Adj. Net debt/EBITDA(R)	x	-0.80	-1.58	-1.66
Interest cover (x)	x	745	-112	-105

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	11.5	12.4	11.7
Free cash flow yield	%	11.5	8.89	6.13
P/Book	x	3.60	2.79	2.88
Dividend yield	%	1.48	1.67	1.67

EV Calculation

		12/21A	12/22E	12/23E
Market cap	CHFM	2,213	1,964	2,345
+ Provisions	CHFM	11.0	48.7	47.4
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-213	-354	-464
+ 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	1,658	1,927
EV/EBITDA(R)	x	7.85	7.55	7.00
EV/Sales	x	4.25	4.14	3.96

Analyst : Grégoire Hermann, Changes to Forecasts : 07/03/2023.