



Swissquote

Internet banking/Fintech / Switzerland

H1-24: strong results helped by crypto, inflows and market effect

Earnings/sales releases - 14/08/2024

Swissquote posted good results with strong top-line growth being contributed by higher crypto income, further helped by increased client activity and resilient NII. Cost-discipline was also very tight, helping the pre-tax result beat our estimates. The growth levers remain intact with new money being slightly above the guided pace and client assets guided to be much higher than initially projected by the end of 2024, helped by inflows and a positive market effect. We remain positive on the stock and see the outlook as conservative.

Fact

Net revenue: CHF317m (+19% yoy, 3% below our estimates, and 2% above the consensus).

- Net fee and commission income (excluding crypto): CHF87m (+18% yoy, 15% below our estimates).
- Net crypto assets income: CHF35m (vs CHF7m in H1-23, 31% above AV estimates).
- Net interest income (NII): CHF110m (+7% yoy, 2% below our estimates).
- Net eForex income: CHF47m (-14% yoy, 19% below our estimates).
- Net trading income: CHF38m (+42% yoy, 35% above our estimates).

Opex: CHF147m (+6% yoy, 8% below our estimates).

Net result from JV: c. CHF0m contribution (vs CHF2m loss in H1-24, AV: CHF1m loss).

Pretax result: CHF170m (+36% yoy, 2% above our estimates, and 5% above consensus). The pretax profit margin was at 54% vs 47% in H1-23. This was above the management's 2024 target (50%).

Client assets reached CHF68bn (vs CHF58bn in FY-23 and CHF63.6bn for AV estimates), leading to a 20% yoy rise in client assets vs H1-23 and a 17% rise vs the FY-23 figures. The number of client accounts rose by 10% yoy to 611k accounts.

Net new money: CHF3.8bn vs CHF3bn in H1-23 and CHF2bn in H2-23 (AV estimates: CHF5.6bn).

2024 outlook: CHF615m net revenue (vs CHF595m initially guided, CHF680m for AV, and CHF625m for the consensus) and a CHF320m pre-tax profit (vs CHF300m initially guided, CHF352m for AV, and CHF322m for the consensus).

2025 guidance unchanged: CHF350m pre-tax profit and below CHF700m net revenue.

Analysis

Swissquote posted strong results in H1-24, with the revenue mix behaving as anticipated, namely i) increased crypto activity vs both the H1 and H2-23, ii) increased fee income generation on the back of higher client activity vs the H1



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Reduce Upside: 0.47%

Target Price (6 months)	CHF 292
Share Price	CHF 290
Market Cap. CHFM	4,452
Price Momentum	GOOD
Extremes 12 Months	158 ▶ 303
Sustainability score	6.9 / 10
Credit Risk	AA →
Bloomberg	SQN SW Equity
Reuters	SQN.S

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PERF	1w	1m	3m	12m
Swissquote Group Holding	11.3%	1.61%	10.9%	60.2%
Other Financials	5.05%	-3.10%	-3.96%	7.68%
STOXX 600	2.71%	-4.28%	-3.69%	9.25%

Last updated: 02/04/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	12.3	14.5	15.2	14.7
Dividend yield (%)	2.39	2.01	1.92	1.98
EV/EBITDA(R) (x)	7.95	9.74	9.96	9.41
Adjusted EPS (CHF)	14.6	20.1	19.1	19.8
Growth in EPS (%)	38.4	37.3	-4.73	3.19
Dividend (CHF)	4.30	5.84	5.57	5.75
Sales (CHFm)	531	680	652	685
Pretax Results margin (%)	48.1	51.7	51.4	50.5
Attributable net profit (CHFm)	218	299	284	294
ROE (after tax) (%)	26.5	32.6	22.2	17.8
Gearing (%)	-30.1	-37.0	-28.0	-34.7

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

and H2-23, and iii) a soft and gradual decline in NII vs H2-23.

Revenue growth was a bit below our estimates, however, due to weaker-than-anticipated growth in client activity and the larger yoy decline in eForex income (FX CFD activity), which was undermined by lower-than-projected market volatility.

Swissquote's growth drivers nevertheless remained stronger than ever with a 20% yoy increase in client assets, helped by supportive market valuations and net new money (CHF3.8bn over H1), which ran at a higher pace than organic inflows projected over the long-term (c. CHF7bn on a yearly basis).

We remain positive for the H2 on the back of the i) stronger-than-projected growth in client assets and new money ii) sustained client activity growth, likely to be helped by the recent return of market volatility, more especially in eForex, iii) crypto income resilience, especially as the performance was stronger than expected despite lower crypto prices than inputted in our model, iv) a gradual decline in NII which should remain at historically elevated levels thanks to better cash deposit growth and orderly central bank cuts.

A growth propeller named crypto

More than half of Swissquote's top-line growth this quarter was linked to crypto income growth, which benefitted from the combination of higher crypto market activity and higher crypto valuations with bitcoin being worth twice its June 2023 price as of end-H1-24 (up by 44% since end-2023), benefitting both fee income and trading income.

Crypto income was far better than our projections despite crypto valuations being lower than forecasted.

Volatility has returned in crypto these past few months ahead of this trend setting in for more traditional markets.

The forecasted margin on assets for crypto is guided at 8bp, better than initially projected at the time of the FY-23 publication (6bp), but this better margin is largely due to a better H1 as the management is guiding for H2-24 crypto income to be in line with its initial anticipations, preferring to remain conservative given that low visibility remains an intrinsic characteristic of crypto markets.

Volatility in crypto in the H2 could create some upside to this guidance, but any sustained decline in bitcoin and altcoins prices could put pressure on income. p.

Fee-supportive market environment

Swissquote also benefitted from a resurgence in client activity in more traditional markets (securities) in line with the trends observed at the end of 2023 owing to the strong performance for markets in the H1 (Stoxx 600 up by 11% yoy in the H1 -24 while the S&P500 is by 23% yoy over the same period), leading to strong client positioning (and strong new money at CHF3.8bn, slightly above the guided average inflows of CHF3.5bn) and increased client assets.

Of the CHF68bn of client assets recorded in the H1-24, Swissquote's management indicated that the market downturn of the past few weeks had had a negative impact, leading to a decline in assets post-crash to CHF66.4bn. Despite this, Swissquote is guiding for CHF71bn of assets at end-2024, seeing the current market environment and recent resurgence in volatility as positive for client activity and inflows.

Swissquote's management also noted that eForex account balances were historically elevated and pointed to some upside on eForex income in the H2 should volatility remain at higher levels for the rest of the year compared to the H1.

Interest income: softer trajectory ahead

As often mentioned, Swissquote's business model is a "macro-Swiss knife" in that interest income often counterbalances fee income declines in times of declining market volatility, as clients' retreat to cash/cash accumulation in low-volatility or uncertain market environments helps the bank generate interest income on its clients' cash balances.

As such, Swissquote continued to benefit from the still-historically-elevated interest rate environment, with the gradual declines in short-term rates in EUR and CHF being offset by growing cash deposits (+14% in H1 vs end-2023) and decreased interest rates served to CHF-denominated trading account clients. Non-transaction-based revenue (which also includes custody fees, management fees and referral fees) amounted to 54% of revenue in the H1-24 (vs 57% in H1-23), marking a slight retreat on the back of the fee and crypto revival, more than the slight sequential decline in NII.

Swissquote continues to guide for a gradual decline in NII in the H2 on the back of further interest rate cuts by central banks with some mitigation continuing to be provided by growing client cash deposits.

Strong cost-discipline

The opex beat vs. our estimates more than offset the slight miss on revenue against our projections, which helped deliver a better-than-projected pre-tax result and strong yoy growth.

Much of the growth came from the higher payroll as FTEs grew by 6% yoy. Staff costs nevertheless remained below our projections despite FTEs being higher than anticipated. Much of the beat on costs vs our estimates was however delivered through lower other operating expenses, with low inflation here being partly helped by stable marketing expenses.

We see this surprise on cost-discipline as positive and may revise down our cost base going into the H2 to factor more cost-moderation into our figures.

Intact growth drivers

Despite the low visibility on crypto going towards the end of the year, the gradual decline in NII anticipated in the H2 and a recent jump in volatility in traditional markets, Swissquote's long-term growth drivers remain intact with the bank recording above-average new money and continued average client deposit growth.

Although Swissquote's management has maintained its CHF7bn new money per year target, we believe there is some upside to inflows in the H2 provided that volatility remains at higher levels compared to H1-24 and H2-23, supporting both fee income and NII as client positioning continues and cash deposit growth is maintained.

2024 guidance upgrade remains slightly conservative

Swissquote guidance upgrade came on the back of the higher-than-anticipated revenue recorded in the H1-24, helped by crypto income, better client activity and

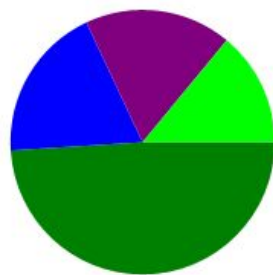
strong inflows, and on the back of higher client assets, projected at CHF71bn vs the CHF65bn initially projected at the time of the FY-23 report. The management continues to guide for H2 to be in-line with the previous guidance. The CHF615m revenue guidance for 2024 (vs CHF595m) indicates CHF298m of revenue in the H2 (+12% yoy) which would be 16% below our projections.

In our view, this discrepancy likely indicates conservativeness on the part of the management on crypto and potentially too much optimism on crypto prices on our side. We believe the truth could lie somewhere in between for crypto income while the current guidance leaves potential upside on fee income should volatility remain at higher levels than observed in the H1-24 and H2-23.

■ Impact

The outlook provided by Swissquote is positive despite the conservative guidance for the H2. Our estimates are under review with our crypto income projection being potentially too upbeat in the H2-24 and the cost-base for the H2 being too high compared to the costs observed in H1.

Sales by Geography



Switzerland (49.0%)
Europe (19.0%)
EMEA (18.0%)
Other (14.0%)

Consolidated P&L Accounts

		12/23A	12/24E	12/25E
Sales	CHFM	531	680	652
Change in sales	%	30.2	27.9	-4.08
Change in staff costs	%	32.5	8.49	-1.50
EBITDA	CHFM	298	405	383
EBITDA(R) margin	%	56.3	59.7	58.9
Depreciation	CHFM	-38.0	-51.0	-48.9
Underlying operating profit	CHFM	260	354	334
Operating profit (EBIT)	CHFM	255	352	335
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM	0.91	-2.56	-3.57
Exceptional items & other	CHFM			
Corporate tax	CHFM	-37.8	-53.0	-50.6
Equity associates	CHFM			
Minority interests	CHFM			
Adjusted attributable net profit	CHFM	218	299	284
NOPAT	CHFM	191	266	254

Cashflow Statement

		12/23A	12/24E	12/25E
EBITDA	CHFM	298	405	383
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	-27.0	-53.0	-50.6
Exceptional items	CHFM			
Other operating cash flows	CHFM	-10.8	-96.1	-19.9
Total operating cash flows	CHFM	261	255	312
Capital expenditure	CHFM	-53.1	-68.0	-65.2
Total investment flows	CHFM	-62.6	-68.0	-65.2
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-32.7	-63.9	-86.8
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	-28.2	-28.2	-28.2
Total financial flows	CHFM	-64.3	-93.0	-115
Change in cash position	CHFM	134	94.4	132
Free cash flow (pre div.)	CHFM	208	187	247

Per Share Data

		12/23A	12/24E	12/25E
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	14.6	20.1	19.1
Restated NAV per share	CHF			
Net dividend per share	CHF	4.30	5.84	5.57

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 254	35%	• sino AG
NAV/SOTP per share	CHF 308	20%	
EV/Ebitda	CHF 361	20%	
P/E	CHF 300	10%	
Dividend Yield	CHF 186	10%	
P/Book	CHF 404	5%	
TARGET PRICE	CHF 292	100%	

NAV/SOTP Calculation

Balance Sheet

		12/23A	12/24E	12/25E
Goodwill	CHFM	54.7	54.7	54.7
Total intangible	CHFM	147	152	157
Tangible fixed assets	CHFM	73.8	77.4	81.3
Financial fixed assets	CHFM	8.98	8.98	8.98
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	151	152	153
Total assets (net of short term liab.)	CHFM	9,649	10,964	11,951
Ordinary shareholders' equity	CHFM	899	932	1,633
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	6.89	27.7	35.0
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	6.89	27.7	35.0
Tax liabilities	CHFM	2.35	2.70	3.10
Other liabilities	CHFM	9,039	10,394	10,805
Net debt (cash)	CHFM	-297	-392	-524
Total liab. and shareholders' equity	CHFM	9,649	10,964	11,951

Capital Employed

Capital employed after depreciation	CHFM	385	415	450
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Profits & Risks Ratios

		12/23A	12/24E	12/25E
ROE (after tax)	%	26.5	32.6	22.2
ROCE	%	49.8	64.1	56.7
Gearing (at book value)	%	-30.1	-37.0	-28.0
Adj. Net debt/EBITDA(R)	x	-1.00	-0.97	-1.37
Interest cover (x)	x	216	-156	-102

Valuation Ratios

		12/23A	12/24E	12/25E
Reference P/E (benchmark)	x	12.3	14.5	15.2
Free cash flow yield	%	7.77	4.34	5.73
P/Book	x	2.97	4.63	2.64
Dividend yield	%	2.39	2.01	1.92

EV Calculation

		12/23A	12/24E	12/25E
Market cap	CHFM	2,672	4,315	4,315
+ Provisions	CHFM	6.89	27.7	35.0
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-297	-392	-524
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM	8.98	8.98	8.98
+ Minority interests (fair value)	CHFM			
= EV	CHFM	2,380	3,949	3,824
EV/EBITDA(R)	x	7.95	9.74	9.96
EV/Sales	x	4.48	5.81	5.87

Analyst : Sylvain Perret, Changes to Forecasts : 02/04/2024.