



# Swissquote

Internet banking/Fintech / Switzerland

## FY-23: all-weather business model continues to thrive

Earnings/sales releases - 14/03/2024

Swissquote published strong results in 2023, in-line with trends observed in H1-23, thanks to a considerable rise in asset margins on the back of higher interest income generated on clients' cash deposits. The regain in customer activity at the end of 2023, continuing in 2024, continued customer asset gathering and the gradual decline in policy rates should continue to support earnings going into 2024 and help the group in achieving its 2025 target, as Swissquote's business model remains prone to any environment.

### Fact

Net revenue: CHF531m (+30% yoy, 3% below our estimates and 1% below consensus).

- Net fee and commission income: CHF162m (-8% yoy, 5% below our estimates and 1% below consensus).
- Net interest income (NII): CHF213m vs CHF73m in FY-22 (in-line with our estimates and consensus).
- Net trading income: CHF157m (-1% yoy, 3% below our estimates).

Opex: CHF271m (+26% yoy, 2% below our estimates).

Net result from JV: CHF5m loss (vs CHF6.7m loss in FY-22).

Pre-tax result: CHF255m (+37% yoy, 4% below our estimates and 1% below consensus). Pre-tax profit margin at 48% vs 46% in FY-22. This was above management's 2023 target (47%).

Client assets reached CHF58bn (vs CHF52.2bn in FY22 and CHF59.5bn AV estimates). Number of client accounts rose by 6.6% yoy to 574k accounts.

Net new money: CHF5bn vs CHF7.7bn in FY-22 (AV estimates: CHF5.7bn).

Dividend: CHF4.30 per share proposal vs CHF2.20 in 2022 (AV: CHF2.95 per share).

2024 outlook: CHF595m net revenue (AV estimates: CHF653m, consensus: CHF611m) and a CHF300m pre-tax profit (AV: CHF330m, consensus: CHF312m).

2025 guidance for pre-tax profit was left unchanged at CHF350m (AV: CHF352m, consensus: CHF347m)(above 50% pre-tax profit margin) while net revenue is projected to be below CHF700m. Management estimates that considering the structural improvement in margin on client assets, its 2025 pre-tax profit target is achievable with a lower net revenue than initially guided (CHF750m guided at end-2022).

### Analysis

Swissquote realised a very strong 2023 year, keeping to the trends which marked H1-23, namely i) a considerable rise in interest income, fuelled by a strong increase in rates over the year across all currencies, ii) continued net new money, albeit at a more normalized rate compared with the pandemic era, iii)



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Add	Upside: 13.6%
Target Price (6 months)	CHF 275
Share Price	CHF 242
Market Cap. CHFM	3,710
Price Momentum	<b>STRONG</b>
Extremes 12Months	153 ▶ 243
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	1.42%	8.62%	24.4%	52.6%
Other Financials	1.73%	1.13%	5.65%	14.4%
STOXX 600	1.83%	4.08%	7.38%	14.6%

Last updated: 02/11/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	12.5	11.9	12.8	12.0
Dividend yield (%)	1.67	1.64	1.52	1.62
EV/EBITDA(R) (x)	7.62	7.63	8.25	7.39
Adjusted EPS (CHF)	10.6	15.2	18.9	20.2
Growth in EPS (%)	-18.5	43.5	24.6	6.73
Dividend (CHF)	2.20	2.95	3.67	3.92
Sales (CHFm)	408	546	653	697
Pretax Results margin (%)	45.7	48.5	50.5	50.5
Attributable net profit (CHFm)	157	226	281	300
ROE (after tax) (%)	23.2	24.3	26.7	26.6
Gearing (%)	-30.7	-26.1	-40.9	-44.2

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

declining transaction-based revenue on the back of the lower market volatility and the macroeconomic uncertainty weighing over 2023 (despite a regain of activity at the end of 2023 and the beginning of 2024).

Swissquote's revenue mix was again strongly biased towards non-transaction based revenue (interest income, custody fees and management fees/referral fees) which represented 58% of the revenue generation this year (vs 40% in 2022), as revenue was lifted by the strong rise in interest rates in all geographies, more than offsetting the slight decline in cash deposits (which decreased from CHF9.2bn to CHF8.6bn, as client activity recovered slightly during H2-23 leading to an increased allocation towards other assets). Much of the decline in cash deposits was directly inputted to the liquidity portfolio (CHF5.7bn) which remained invested in short-term government securities, benefiting from the current market interest rates.

Despite markets forecasting a decline in policy rates across currencies, Swissquote anticipates that interest rate declines from their peak level will remain gradual, leaving rates at an historically elevated level. Combined with continued net new money additions (and a stable proportion of cash deposits), the margin on client assets linked to interest is likely to see a slight decline from 39bp in 2023 to 35bp in 2024, a considerably higher level than in 2022 (14bp) and the pre-COVID era.

The apparent decline of client activity over FY23 hid a recovery in H2, as net fee and commission income (including cryptos) rose by 6% yoy, offsetting the slight decline in net trading income (-1% yoy) (eForex income + trading income) in the second half of the year, as clients began to re-position on various markets as they saw more stability in the market and the macroeconomic environment, with stronger conviction on both the economic environment and interest rates. This regain in customer activity, apparent in both traditional assets and crypto assets, should support the margin on client assets in 2024, with management guiding for a rise in margin on client assets from crypto assets (3bp to 6bp), securities trading and eForex (54bp to 56bp).

Swissquote's ability to attract new customers and new money continued to remain strong although H2 confirmed that growth in new money is returning to pre-COVID levels, probably affected by market uncertainty, partly offset by the group's continued product offering expansion and the return of appeal for crypto assets as well as the remuneration of trading and savings accounts (depending on the level of cash for trading accounts and on the currency for savings accounts). Management anticipates that net new money will continue to be gathered at a strong pace (CHF7bn per year on average).

Opex growth was largely the result of increased payroll & related expenses (+33% yoy), which rose due to higher variable compensation and the rising headcount (+7% yoy), due mainly to hiring in the field of technology and in foreign offices (sales), expenses dedicated to fuel Swissquote's attractiveness and customer and assets growth.

Regarding growth, Swissquote announced the acquisition of Optimatrade, a South African financial services company, which has acted as an introducer for Swissquote for more than ten years, increasing Swissquote's distribution capacity in international markets. The transaction was closed at the beginning of March 2024 for an undisclosed purchase price.

With record results, Swissquote's equity position grew to CHF899m, leading management to propose a CHF4.30 dividend per share at the next AGM, due to the 2023 results (vs CHF2.20 in 2022). Considering the group's improved capital

generation and their ability to continuously finance its growth, Swissquote's management decided to switch its dividend policy from a dividend per share growth to a fixed dividend payout ratio policy. Swissquote should thus target a 30% dividend payout ratio from 2023, boosting the group's distribution profile and further improving shareholder return.

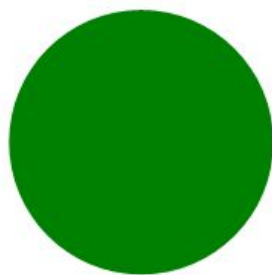
The 2025 apparent revenue outlook downgrade hid a pre-tax margin upgrade, as Management indicated that the group was confident in achieving its pre-tax result target (CHF350m in 2025) with a lower revenue (CHF700m vs CHF750m guided) based on a more elevated margin on client assets.

In conclusion, Swissquote's "all-weather" business model should continue to thrive in 2024, with a regain in customer activity on both crypto and traditional assets and continued growth in net new money more than offsetting the slight decline in interest income from anticipated lower rates. The upside on management's guidance looks quite possible assuming that market volatility rises in 2024, that the crypto rally continues and that central banks are slower and more cautious in decreasing their policy rates.

### ■ Impact

The outlook for 2024 looks slightly below both the consensus and our estimates, but the upside potential from the targets provided remains valid. Our estimates are under review.

## Sales by Geography



Other (100.0%)

## Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	CHFM	408	546	653
Change in sales	%	-13.6	33.8	19.7
Change in staff costs	%	-17.2	23.4	6.53
EBITDA	CHFM	226	311	383
<b>EBITDA(R) margin</b>	<b>%</b>	<b>55.6</b>	<b>57.1</b>	<b>58.8</b>
Depreciation	CHFM	-32.8	-40.9	-49.0
Underlying operating profit	CHFM	193	270	334
<b>Operating profit (EBIT)</b>	<b>CHFM</b>	<b>186</b>	<b>265</b>	<b>330</b>
Net financial expense	CHFM	0.00	0.00	0.00
of which related to pensions	CHFM		-1.71	-3.04
Exceptional items & other	CHFM			
Corporate tax	CHFM	-29.0	-38.9	-48.4
Equity associates	CHFM			
Minority interests	CHFM			
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>157</b>	<b>226</b>	<b>281</b>
NOPAT	CHFM	140	200	250

## Cashflow Statement

		12/22A	12/23E	12/24E
EBITDA	CHFM	226	311	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	-23.8	-38.9	-48.4
Exceptional items	CHFM			
Other operating cash flows	CHFM	-78.1	-74.6	-77.1
Total operating cash flows	CHFM	124	197	258
Capital expenditure	CHFM	-51.7	-54.6	-65.3
Total investment flows	CHFM	-51.7	-54.6	-65.3
Net interest expense	CHFM	0.00	0.00	0.00
Dividends (parent company)	CHFM	-33.0	-32.7	-43.9
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	-11.9	-11.9	-11.9
Total financial flows	CHFM	-48.6	-46.7	-56.6
Change in cash position	CHFM	23.6	96.0	136
<b>Free cash flow (pre div.)</b>	<b>CHFM</b>	<b>72.2</b>	<b>143</b>	<b>192</b>

## Per Share Data

		12/22A	12/23E	12/24E
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
<b>Benchmark EPS</b>	<b>CHF</b>	<b>10.6</b>	<b>15.2</b>	<b>18.9</b>
Restated NAV per share	CHF			
<b>Net dividend per share</b>	<b>CHF</b>	<b>2.20</b>	<b>2.95</b>	<b>3.67</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 254	35%	● sino AG
NAV/SOTP per share	CHF 270	20%	
EV/Ebitda	CHF 386	20%	
P/E	CHF 281	10%	
Dividend Yield	CHF 118	10%	
P/Book	CHF 297	5%	
TARGET PRICE	CHF 275	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/22A	12/23E	12/24E
Goodwill	CHFM	55.8	55.6	55.6
Total intangible	CHFM	131	140	145
Tangible fixed assets	CHFM	72.5	76.1	79.9
Financial fixed assets	CHFM	4.46	2.12	2.12
WCR	CHFM	0.00	0.00	0.00
Other assets	CHFM	78.6	157	158
Total assets (net of short term liab.)	CHFM	9,962	11,092	12,380
<b>Ordinary shareholders' equity</b>	<b>CHFM</b>	<b>741</b>	<b>1,115</b>	<b>995</b>
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM			
Provisions for pensions	CHFM	6.48	32.4	41.1
Other provisions for risks and liabilities	CHFM			
Total provisions for risks and liabilities	CHFM	6.48	32.4	41.1
Tax liabilities	CHFM	1.58	1.74	2.00
Other liabilities	CHFM	9,456	10,283	11,817
<b>Net debt (cash)</b>	<b>CHFM</b>	<b>-243</b>	<b>-339</b>	<b>-475</b>
Total liab. and shareholders' equity	CHFM	9,962	11,092	12,380

## Capital Employed

		12/22A	12/23E	12/24E
Capital employed after depreciation	CHFM	324	346	372

## Profits & Risks Ratios

		12/22A	12/23E	12/24E
<b>ROE (after tax)</b>	<b>%</b>	<b>23.2</b>	<b>24.3</b>	<b>26.7</b>
ROCE	%	43.3	58.0	67.3
<b>Gearing (at book value)</b>	<b>%</b>	<b>-30.7</b>	<b>-26.1</b>	<b>-40.9</b>
Adj. Net debt/EBITDA(R)	x	-1.04	-1.07	-1.22
Interest cover (x)	x	645	-191	-122

## Valuation Ratios

		12/22A	12/23E	12/24E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>12.5</b>	<b>11.9</b>	<b>12.8</b>
Free cash flow yield	%	3.68	5.33	5.35
P/Book	x	2.65	2.40	3.62
<b>Dividend yield</b>	<b>%</b>	<b>1.67</b>	<b>1.64</b>	<b>1.52</b>

## EV Calculation

		12/22A	12/23E	12/24E
Market cap	CHFM	1,962	2,680	3,601
+ Provisions	CHFM	6.48	32.4	41.1
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	-243	-339	-475
+ Leases debt equivalent	CHFM	7.00	7.00	7.00
- Financial fixed assets (fair value)	CHFM	4.46	2.12	2.12
+ Minority interests (fair value)	CHFM			
= EV	CHFM	1,728	2,378	3,172
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>7.62</b>	<b>7.63</b>	<b>8.25</b>
EV/Sales	x	4.23	4.36	4.86

Analyst : Sylvain Perret, Changes to Forecasts : 02/11/2023.