



Swissquote

Internet banking/Fintech / Switzerland

Suited for all market seasons

02/11/2023

Change in Target Price

CHF 250 vs 235 +6.56%

Our change in target price on Swissquote reflects mostly the upgrade to our 2024 EPS estimate which has led to an increase in our 3-year average EBITDA estimate to which we apply a 10x multiple for our NAV valuation.

We continue to believe that Swissquote can thrive in any environment thanks to its business model where high rates act as a natural hedge to volatility and a trading activity decline.

Based on the assumption of sustainably high interest rates in 2024, higher market volatility compared to 2023 and a potential revival of the crypto market, we expect Swissquote to make good progress towards its 2025 guidance as soon as in 2024. This should be sustained in 2025 with still-higher volatility levels which should more than offset the higher costs and lower net interest income as we believe rates should decline amidst an overall softening in global monetary policy.

Change in EPS

2023 : CHF 15.2 vs 15.1 +0.84%
2024 : CHF 18.9 vs 17.8 +6.41%

We have left our 2023 EPS estimates unchanged as an increase in net interest income reflecting higher 3-month rates on the liquidity portfolio's currencies has been offset by lower trading income, lower eforex income and higher costs, reflecting the increased headcount and higher wage inflation.

We have however revised up our 2024 EPS estimates as we now factor in a more volatile scenario for markets leading to an increased number of transactions and higher net fee and commission income (CHF226m vs CHF179m), as well as higher crypto asset income (CHF26m vs CHF15m) as we expect a combination of bitcoin halving (April 2024), potential US ETF approval and the first-rate cuts coming from central banks as early as in the Q2-24. This will be offset by a reduction in eforex income and the trading result, on the back of slower account growth as well as higher costs, linked to higher headcount and slightly increased wage inflation.

For 2025, we have left our 2025 EPS estimates unchanged as lower net interest income linked to lower 3-month rates on the liquidity portfolio, as well as lower trading income and lower eforex income linked to slower-than-anticipated account growth and higher operating expenses should be more than fully offset by higher net fee income linked to higher volatility levels and increased net crypto assets income on the back of the improved crypto market conditions and higher assets under custody.

Change in NAV

CHF 270 vs 229 +17.9%

Our NAV is based on a 3-year average EV/EBITDA multiple applied to Swissquote's EBITDA estimates. With the 2024 upgrade, this leads to a rise in our 3-year average EBITDA to which we apply a conservative 10x multiple, leading to an improvement in our NAV valuation.



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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 : 43.1%
Target Price (6 months)	CHF 250
Share Price	CHF 175
Market Cap. CHFM	2,678
Price Momentum	UNFAVORABLE
Extremes 12Months	113 ▶ 203
Bloomberg	SQN SW Equity
Reuters	SQN.S

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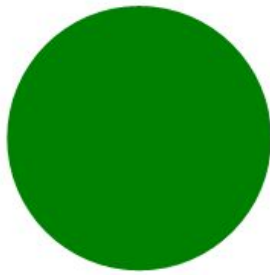


PERF	1w	1m	3m	12m
Swissquote Group Holding	4.49%	5.81%	-11.5%	46.7%
Other Financials	1.28%	-3.08%	-14.1%	-1.97%
SXXR Index	0.32%	-1.95%	-6.17%	8.13%

Last updated: 02/11/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	12.5	11.5	9.24	8.66
Dividend yield (%)	1.67	1.69	2.10	2.24
EV/EBITDA(R) (x)	7.62	7.37	5.65	4.93
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](#)

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
EBITDA(R) margin	%	55.6	57.1	58.8
Depreciation	CHFM	-32.8	-40.9	-49.0
Underlying operating profit	CHFM	193	270	334
Operating profit (EBIT)	CHFM	186	265	330
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			
Adjusted attributable net profit	CHFM	157	226	281
NOPAT	CHFM	140	200	250

Cashflow Statement

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
Free cash flow (pre div.)	CHFM	72.2	143	192

Per Share Data

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	10.6	15.2	18.9
Restated NAV per share	CHF			
Net dividend per share	CHF	2.20	2.95	3.67

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 256	35%	● sino AG
NAV/SOTP per share	CHF 270	20%	
EV/Ebitda	CHF 306	20%	
P/E	CHF 231	10%	
Dividend Yield	CHF 98.9	10%	
P/Book	CHF 248	5%	
TARGET PRICE	CHF 250	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
Ordinary shareholders' equity	CHFM	741	1,115	995
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
Net debt (cash)	CHFM	-243	-339	-475
Total liab. and shareholders' equity	CHFM	9,962	11,092	12,380

Capital Employed

Capital employed after depreciation	CHFM	324	346	372
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Profits & Risks Ratios

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

Valuation Ratios

Reference P/E (benchmark)	x	12.5	11.5	9.24
Free cash flow yield	%	3.68	5.49	7.40
P/Book	x	2.65	2.33	2.61
Dividend yield	%	1.67	1.69	2.10

EV Calculation

Market cap	CHFM	1,962	2,600	2,600
+ 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	2,297	2,170
EV/EBITDA(R)	x	7.62	7.37	5.65
EV/Sales	x	4.23	4.21	3.32

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