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

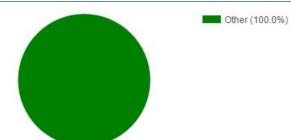
| Buy | Upside : 40.9% |
|-------------------------|----------------|
| Target Price (6 months) | CHF 231 |
| Share Price | CHF 164 |
| Market Cap. CHFM | 2,511 |
| Price Momentum | UNFAVORABLE |
| Extremes 12Months | 117 🕨 206 |
| Bloomberg | SQN SW Equity |
| Reuters | SQN.S |
| Download Full Analysis | Company Page |



| FLN | 1 44 | | 3111 | 12111 |
|--------------------------|--------|--------|--------|-------|
| 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 | | | | |





| EBITDACHFM255258313Change in WCRCHFM0.000.000.00Actual div. received from equity holdiCHFM0.000.000.00Paid taxesCHFM-19.1-30.6-37.2Exceptional itemsCHFM-19.1-30.6-37.2Other operating cash flowsCHFM46.8-29.8-53.8Total operating cash flowsCHFM282198222Capital expenditureCHFM-28.0-48.5-58.1Total investment flowsCHFM-28.0-48.5-58.1Net interest expenseCHFM0.000.000.00Dividends (parent company)CHFM-22.3-32.7-37.9Dividends to minorities interestsCHFM0.000.000.00New shareholders' equityCHFM0.000.000.00Total financial flowsCHFM-25.0-34.2-39.6Change in cash positionCHFM229115125Free cash flow (pre div.)CHFM254149164 | Consolidated P&L Accounts | | 12/21A | 12/22E | 12/23E |
|--|---|------|--------|--------|--------|
| 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 -30.2 -30.6 -37.2 Equity associates CHFM -30.2 -30.6 -37.2 Equity associates CHFM 193 195 238 NOPAT CHFM 193 195 238 NOPAT CHFM 16 159 193 Charge in WCR CHFM 0.00 0.00 0.00 Actual div. received from equity holdi CHFM | Sales | CHFM | 472 | 485 | 581 |
| BITDA 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 -30.2 -30.6 -37.2 Equity associates CHFM -30.2 -30.6 -37.2 Equity associates CHFM 193 195 238 NOPAT CHFM 193 195 238 NOPAT CHFM 156 159 193 Cashflow Statement CHFM 160 0.00 0.00 Reciptional items CHFM 261 258 353.8 Change in WCR CHFM 16.8 | Change in sales | % | 48.9 | 2.74 | 19.7 |
| 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 -30.2 -30.6 -37.2 Equity associates CHFM -30.2 -30.6 -37.2 Equity associates CHFM 193 195 238 NOPAT CHFM 193 195 238 Cashflow Statement CHFM 156 159 193 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 283 -53.8 73.2 Castafilow 14.5 <t< td=""><td>Change in staff costs</td><td>%</td><td>18.8</td><td>5.53</td><td>12.2</td></t<> | Change in staff costs | % | 18.8 | 5.53 | 12.2 |
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| of which related to pensions CHFM -1.26 -1.16 Exceptional items & other CHFM -30.2 -30.6 -37.2 Equity associates CHFM -30.2 -30.6 -37.2 Equity associates CHFM 193 195 238 Minority interests CHFM 193 195 238 NOPAT CHFM 156 159 193 Cashflow Statement 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 -1.26 -1.86 -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 < | Operating profit (EBIT) | CHFM | 223 | 226 | 275 |
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| Corporate tax CHFM -30.2 -30.6 -37.2 Equity associates CHFM Minority interests CHFM 193 195 238 Adjusted attributable net profit CHFM 193 195 238 NOPAT CHFM 156 159 193 Cashflow Statement CHFM 0.00 0.00 0.00 Cashflow Statement CHFM 0.00 0.00 0.00 Change in WCR CHFM 0.00 0.00 0.00 Actual div. received from equity holdi CHFM 0.00 0.00 0.00 Actual div. received from equity holdi CHFM 0.00 0.00 0.00 Actual div. received from equity holdi CHFM 0.00 0.00 0.00 Actual div. received from equity holdi CHFM 1.91 -33.6 -37.2 Exceptional items CHFM 2.82 1.94 -38.2 22.8 -53.8 Total operating cash flows | of which related to pensions | CHFM | | -1.26 | -1.16 |
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| 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 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 | NOPAT | CHFM | 156 | 159 | 193 |
| 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 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 | Cashflow Statement | | | | |
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| Exceptional itemsCHFMHermitianOther operating cash flowsCHFM46.8-29.8-53.8Total operating cash flowsCHFM282198222Capital expenditureCHFM-28.0-48.5-58.1Total investment flowsCHFM-28.0-48.5-58.1Net interest expenseCHFM0.000.000.00Dividends (parent company)CHFM-22.3-32.7-37.9Dividends to minorities interestsCHFM0.000.000.00New shareholders' equityCHFM0.000.000.00Total financial flowsCHFM-25.0-34.2-39.6Change in cash positionCHFM229115125Free cash flow (pre div.)CHFM254149164Per Share DataNio14.914.914.9Number of diluted shares (average)Mio14.914.9Restated NAV per shareCHF13.013.116.0 | Actual div. received from equity holdi | CHFM | 0.00 | 0.00 | 0.00 |
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| 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 No. of shares net of treas. stock (year Mio 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 20.0 13.1 16.0 | Total operating cash flows | CHFM | 282 | 198 | 222 |
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| 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 No. of shares net of treas. stock (year Mio 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 14.9 14.9 | Total investment flows | CHFM | -28.0 | -48.5 | -58.1 |
| Dividends to minorities interestsCHFM0.000.000.00New shareholders' equityCHFM0.000.000.00Total financial flowsCHFM-25.0-34.2-39.6Change in cash positionCHFM229115125Free cash flow (pre div.)CHFM254149164Per Share DataNo. of shares net of treas. stock (yearMio14.914.9Number of diluted shares (average)Mio14.914.9Benchmark EPSCHF13.013.116.0Restated NAV per shareCHF14.914.9 | Net interest expense | CHFM | 0.00 | 0.00 | 0.00 |
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| Change in cash positionCHFM229115125Free cash flow (pre div.)CHFM254149164Per Share DataNo. of shares net of treas. stock (yearMio14.914.914.9Number of diluted shares (average)Mio14.914.914.914.9Benchmark EPSCHF13.013.116.0Restated NAV per shareCHF14.914.9 | New shareholders' equity | CHFM | 0.00 | 0.00 | 0.00 |
| Free cash flow (pre div.)CHFM254149164Per Share DataNo. of shares net of treas. stock (yearMio14.914.914.9Number of diluted shares (average)Mio14.914.914.9Benchmark EPSCHF13.013.116.0Restated NAV per shareCHFCHFCHF | Total financial flows | CHFM | -25.0 | -34.2 | -39.6 |
| 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 13.0 13.1 16.0 Restated NAV per share CHF CHF CHF CHF | Change in cash position | CHFM | 229 | 115 | 125 |
| No. of shares net of treas. stock (yearMio14.914.914.9Number of diluted shares (average)Mio14.914.914.9Benchmark EPSCHF13.013.116.0Restated NAV per shareCHFCHFCHFCHF | Free cash flow (pre div.) | CHFM | 254 | 149 | 164 |
| Number of diluted shares (average)Mio14.914.9Benchmark EPSCHF13.013.116.0Restated NAV per shareCHF | Per Share Data | | | | |
| Benchmark EPS CHF 13.0 13.1 16.0 Restated NAV per share CHF CHF <t< td=""><td>No. of shares net of treas. stock (year</td><td>Mio</td><td>14.9</td><td>14.9</td><td>14.9</td></t<> | No. of shares net of treas. stock (year | Mio | 14.9 | 14.9 | 14.9 |
| Restated NAV per share CHF | Number of diluted shares (average) | Mio | 14.9 | 14.9 | 14.9 |
| · · · · · · · · · · · · · · · · · · · | Benchmark EPS | CHF | 13.0 | 13.1 | 16.0 |
| Net dividend per share CHF 2.20 2.55 3.10 | Restated NAV per share | CHF | | | |
| | Net dividend per share | CHF | 2.20 | 2.55 | 3.10 |

Valuation Summary

| Benchmarks | Value | Weight |
|--------------------|---------|--------|
| DCF | CHF 288 | 35% |
| NAV/SOTP per share | CHF 194 | 20% |
| EV/Ebitda | CHF 229 | 20% |
| P/E | CHF 252 | 10% |
| Dividend Yield | CHF 123 | 10% |
| P/Book | CHF 162 | 5% |
| TARGET PRICE | CHF 231 | 100% |

Largest comparables

DWS

- Deutsche Boerse Julius Baer
- London Stock Exch...
- Amundi
- Euronext NV

| 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 | | | | |
| Capital employed after depreciation | CHFM | 282 | 300 | 319 |
| Profits & Risks Ratios | | | | |
| 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) | х | -0.80 | -1.24 | -1.42 |
| Interest cover (x) | х | 745 | -236 | -322 |
| Valuation Ratios | | | | |
| Reference P/E (benchmark) | x | 11.5 | 12.5 | 10.3 |
| Free cash flow yield | % | 11.5 | 6.12 | 6.74 |
| P/Book | х | 3.60 | 2.88 | 2.46 |
| Dividend yield | % | 1.48 | 1.56 | 1.89 |
| EV Calculation | | | | |
| Market cap | CHFM | 2,213 | 2,437 | 2,437 |
| + Provisions | CHFM | 11.0 | 32.3 | 31.0 |
| + Unrecognised acturial 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 | х | 4.25 | 4.40 | 3.46 |

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

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