

Recommendation:

BUY (BUY)

Risk:

HIGH (HIGH)

Price Target:

EUR 12.50 (12.50)

10 March 2014

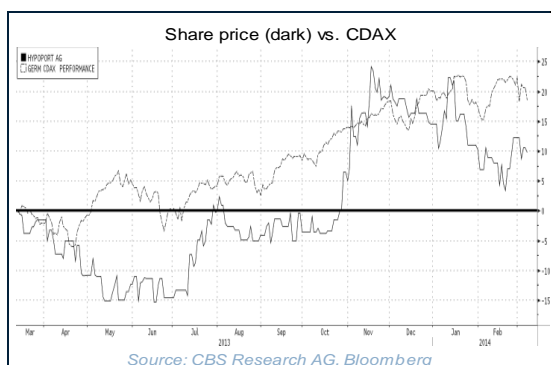
Known pattern - margins cannot keep up with top-line growth as Private Clients unit drags group earnings

- Hypoport AG today announced its preliminary figures for FY 2013, cracking the EUR 100m revenue mark for the first time in company history. Preliminary group revenues showed an increase of 15% to EUR 101.1m (PY: EUR 87.8m), which was in line with our estimate (CBSR estimate: EUR 101.4m). EBITDA remained almost at the same level, increasing by 1% to EUR 8.2m (PY: EUR 8.1m). Even though EBIT improved by ~27% yoy to EUR 4.0m (PY: EUR 3.2m), it missed our estimate (CBSR estimate: EUR 4.8m), which was adjusted downwards after the release of a profit warning in February. The net result from continuing operations of EUR 3.2m (PY: EUR 1.9m) jumped even by 63% in the yoy comparison. According to the management, the challenging conditions in the insurance market and a sluggish interest rate environment acted as determinants, particularly burdening the start and the end of FY 2013, while we saw in 3Q record quarterly results of Hypoport.
- 'Private Clients' (PC) showed a 11% growth in revenues to EUR 56.1m (PY: EUR 50.5m), whereas EBIT deteriorated to EUR -1.6m (PY: EUR -1.1m). Mortgage finance products showed a favourable development, in spite of faltering interest rates, whereas the drop in new business for private health insurance and life insurance could not be compensated by property insurance and existing business. For FY 2014 the management expects to return to the profit zone as restructuring measures are supposed to yield tangible benefits. Concerning 'Financial Service Providers' (FSP), the strong growth of transaction volume led to a considerable rise of revenues to EUR 33.1m (PY: EUR 26.5m) and EBIT, which rose by 54% to EUR 6.0m (PY: EUR 3.9m). Even though revenues increased by ~8% to EUR 12.5m (PY: EUR 11.6m), the EBIT contribution of 'Institutional Clients' (IC) remained on (PY: EUR 3.8m) previous year's level as the buildup of new product divisions bumps up the cost base.
- In a nutshell, despite the prevailing conditions, Ronald Slabke (CEO) anticipates double-digit revenue growth in FY 2014, as well as earnings above record levels seen in FY 2011. We believe the guidance to be ambitious taking into account that guided earnings have not been achieved in the recent past. However, it is reasonable, if one cautiously assumes FSP and IC to provide constant earnings contributions and PC reaching break-even through restructuring and adapting the business to altering market conditions. For the time being, we leave our estimates unchanged, eagerly awaiting the 1Q14 results, which will indicate, if Hypoport is indeed able to return to the earnings levels promised for some time now. Accordingly, **we confirm our PT to EUR 12.50 and reiterate our BUY recommendation.**

Key data

Y/E Dec 31, EUR m	2010	2011	2012	2013P	2014E	2015E
Revenues	66.9	84.4	87.8	101.1	111.8	117.9
EBITDA	11.1	11.5	8.1	8.2	11.7	13.1
EBIT	6.4	6.8	3.2	4.0	6.6	7.3
Net result	3.3	3.7	-0.8	n.a.	4.1	4.3
Basic EPS	0.53	0.60	-0.13	n.a.	0.67	0.71
DPS	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA margin	16.7%	13.6%	9.3%	8.1%	10.5%	11.1%
EBIT margin	9.6%	8.0%	3.6%	4.0%	5.9%	6.2%
EV/EBITDA	6.1	6.0	8.4	8.3	5.9	5.2
EV/EBIT	10.6	10.1	21.4	17.1	10.3	9.3
P/E	17.3	15.3	n.a.	n.a.	13.9	13.1

Source: CBS Research AG, Hypoport AG



Change	2013E	2014E	2015E
EUR m	prem. old	new old	new old
Revenues	101.1 101.4	- 111.8	- 117.9
EBIT	4.0 4.8	- 6.6	- 7.3
EPS	n.a. 0.63	- 0.67	- 0.71

www.hypoport.com
WKN: 549336
Reuters: HYQGN.DE

Sector: Financial Services
ISIN: DE0005493365
Bloomberg: HYQ GY

Short company profile:

The Hypoport Group is an internet-based financial services provider that consists of two mutually supportive pillars, namely Dr. Klein and EUROPACE.

Share data:

Share price (EUR, latest closing price):	9.25
Shares outstanding (m):	6.1
Market capitalisation (EUR m):	56.8
Enterprise value (EUR m):	68.4
Ø daily trading volume (3 m., no. of shares):	1,553

Performance data:

High 52 weeks (EUR):	10.64
Low 52 weeks (EUR):	6.97
Absolute performance (12 months):	10.6%
Relative performance vs. CDAX:	
1 month	0.1%
3 months	-10.2%
6 months	0.3%
12 months	-6.5%

Shareholders:

Revenia GmbH	34.8%
Kretschmar Familienstiftung	12.9%
Deutsche Postbank AG	9.7%
Sparta AG	5.8%
Free Float	36.8%

Financial calendar:

Annual Report 2013	March 24, 2014
1Q 2014 Report	5 May, 2014

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analyzed in this report:

Date	Recommendation	Price at change date	Price target
10 March 2014	BUY (Update)	EUR 9.25	EUR 12.50
17 February 2014	BUY (Update)	EUR 8.90	EUR 12.50
04 November 2013	BUY (Update)	EUR 9.02	EUR 13.00
05 August 2013	BUY (Update)	EUR 8.50	EUR 11.00

06 May 2013	BUY (Update)	EUR 7.51	EUR 11.00
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MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

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