

# flatex

10 November 2020

## Q3: strong client growth; DeGiro integration ahead of plan

What is important? 1) Client base up 9.7% to 1.16m; 2) elevated trading activity continued in Q3 resulted in 56 annualised trades per account; 3) DeGiro integration ahead of plan. We increase our 2020/2021 EPS estimates by 14% and 8% respectively on the back of strong client growth as well as high client trading activity and raise our target price to €58 (previously: €52). View: On the back of its strong run, shares have significant re-rated and trade now in line with its international peer group. We expect multiple expansion to continue, supported by low trading comps before the company enters a phase of extraordinary high comps starting in March 2021.

### Q3 - key operational highlights

1) *Revenues* of €164.8m in 9M, up 67% y/y mainly driven by strong client trading activity and DeGiro consolidation; 2) *customers growth* continued: 1.16m clients, up 9.7% in the quarter; up 45.5% y/y pro forma, a strong achievement; 3) *Trading activity*: 16.4m trades in the quarter, 56.4 annualized trades per account - the company continued to benefit from elevated client engagement in capital markets; 4) Management confirmed its *2020 targets* of > 70m trades and 1.2m customers and expects a strong increase in revenues y/y as well as an adj. EBITDA margin in line with H1 20: 42.8% - in line with expectations.

### Update on DeGiro integration

*One Bank* - utilising the group's infrastructure and bank license for all European business: flatex has resigned from DeGiro's money market solutions and has already in-sourced deposits into its bank: 75% conversion is the target for year-end. The former money market structure at DeGiro was a pain point for the regulators. *One Firm* - realigning of marketing budgets along the revised international expansion strategy: positive EBITDA effects are expected to be seen already from the beginning of 2021; positive effects from *One IT* and *One flow* are expected to be generated by the end of H1 2021. Management confirmed its synergy target of €30m per year; the company will realize the full run-rate in H1 2021.

### TP up to €58 - ride the trading wave: 3-4 good months to come

*The cyclical side*: with closed casinos and limited emotional attachment to national football leagues on the back of covid-19, we expect retail investors to remain committed to capital markets over the next couple of months and comp base remain low until March 2020 - see Chart 1. *The structural side*: 1) **DeGiro integration**: Beyond anticipated cost synergies, we see significant revenue synergy potential to be realised from the DeGiro acquisition in particular driven by flatex's ETP partnership program which we expect to attract DeGiro clients as well: up to €50m of additional revenues are in the cards; 2) **Client acquisition**: We see significant room for additional client wins on the back of a) market consolidation and b) flatex operating in an ideal environment with elevated volatility and retail clients being involved in equity markets. While we have normalised trading activity for 2021 in our numbers, continuous elevated volatility would provide upside to our estimates. Hence, we confirm Buy.

#### Key Financials

Year End Dec (€ m)	2017A	2018A	2019A	2020E	2021E	2022E
Net revenues	107	125	132	192	264	283
Adj. EBITDA	32	42	38	77	119	149
Adj. EBITDA margin	30.0	33.9	28.5	40.2	45.0	52.7
Adj. EBIT	26	34	25	63	100	125
Net income adjusted	17	17	15	45	65	84
EPS adjusted	1.00	0.98	0.77	2.28	2.42	3.08
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Price/Book	7.2	5.4	5.2	4.3	4.6	3.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
(P/E)	48.6	49.6	62.8	21.3	20.1	15.7
EBIT margin	24.7	27.3	18.8	32.7	38.0	44.0

Source: Commerzbank Research, Bloomberg, Company Information

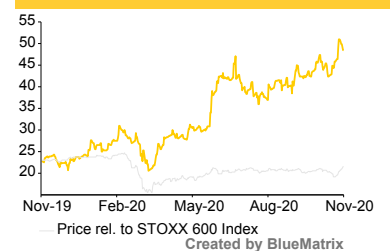
**Buy**  
**TP €58.00** (from €52.00)  
**CP €48.50<sup>^</sup>**  
 (Closing 9 November 2020)

#### Key information

Expected performance	19.6%
1M / 3M performance:	6.1% / 28.3%
Market Cap (m)	€1,320
Bloomberg:	FTK GY
Shares outstanding (m)	27
Equity Free Float	61.7%
Consensus rec (5=Buy)	5.0

Source: Commerzbank Research, Bloomberg

#### Relative and absolute performance (12M)



Source: Bloomberg

#### Changes in estimates

€(m)	2020n	2020o	2021n	2021o
Revenues	192	202	264	268
PBT	64	58	94	88
EPS	2.28	2.00	2.42	2.27

Source: Commerzbank Research,

Bloomberg, Company Information

Author

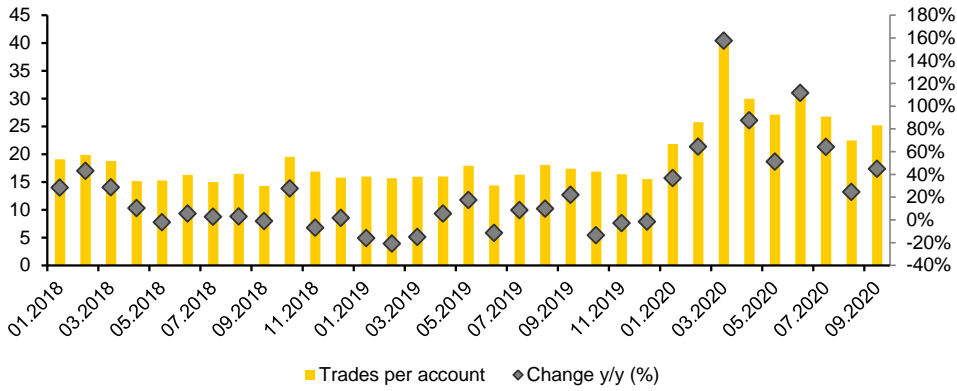
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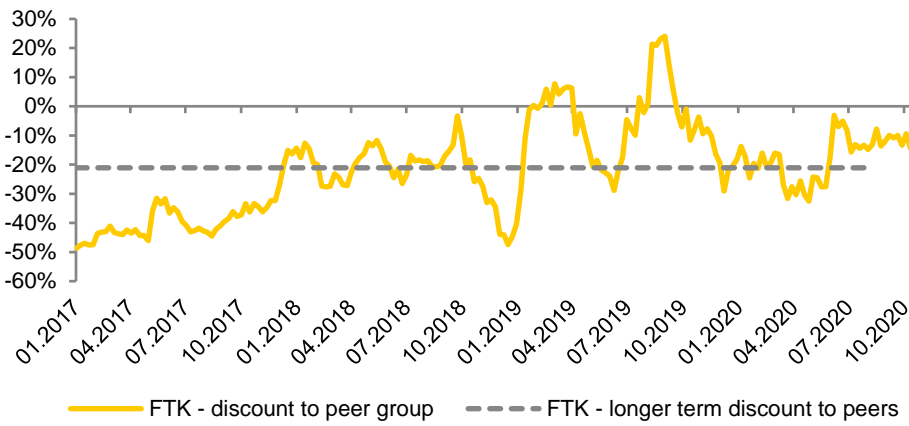
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**Chart 1 - comdirect: Annualized trades per account**



Source: company data

**Chart 2 - flatex: discount to international brokerage peer group (1y forward P/E)**



Source: Bloomberg

**Profit and Loss**

Year End Dec (€ m)	2017A	2018A	2019A	2020E	2021E	2022E
<b>Net revenues</b>	<b>107</b>	<b>125</b>	<b>132</b>	<b>192</b>	<b>264</b>	<b>283</b>
Net revenue growth (%)	12.6	16.9	5.5	45.4	37.3	7.4
<b>Operating expenses</b>	<b>(75)</b>	<b>(83)</b>	<b>(94)</b>	<b>(115)</b>	<b>(145)</b>	<b>(134)</b>
Opex in % of sales	18.7	(5.3)	15.9	44.3	38.1	(9.8)
<b>Adj. operating expenses</b>	<b>(75)</b>	<b>(83)</b>	<b>(94)</b>	<b>(115)</b>	<b>(145)</b>	<b>(134)</b>
Adj. opex in % of sales	70.0	66.1	71.5	59.8	55.0	47.3
EBIT as reported	26	34	25	63	100	125
EBIT margin (%)	24.7	27.3	18.8	32.7	38.0	44.0
Adj. EBIT	26	34	25	63	100	125
Adj. EBIT margin (%)	24.7	27.3	18.8	32.7	38.0	44.0
D&A	(6)	(8)	(13)	(14)	(18)	(25)
EBITDA as reported	32	42	38	77	119	149
EBITDA margin (%)	30.0	33.9	28.5	40.2	45.0	52.7
Adj. EBITDA	32	42	38	77	119	149
Adj. EBITDA margin (%)	30.0	33.9	28.5	40.2	45.0	52.7
<b>Pre-tax profit EBT reported</b>	<b>25</b>	<b>28</b>	<b>22</b>	<b>64</b>	<b>94</b>	<b>118</b>
<b>Adj. pre-tax profit</b>	<b>25</b>	<b>28</b>	<b>22</b>	<b>64</b>	<b>94</b>	<b>118</b>
Tax	(8)	(11)	(7)	(20)	(28)	(35)
Tax rate (%)	32.5	38.6	31.0	30.4	30.3	29.3
Minorities	0	0	0	2	0	0
<b>Net income attributable to all shareholders adjusted</b>	<b>17</b>	<b>17</b>	<b>15</b>	<b>45</b>	<b>65</b>	<b>84</b>
Net income attributable to all shareholders reported	17	17	15	47	65	84
EPS reported	1.00	0.98	0.77	2.38	2.42	3.08
Adj. EPS	1.00	0.98	0.77	2.28	2.42	3.08
Adj. EPS growth (%)	66	(2)	(21)	196	6	28

Source: Commerzbank Research, Bloomberg, Company Information

**Balance Sheet**

Year End Dec (€ m)	2017A	2018A	2019A	2020E	2021E	2022E
<b>Total assets</b>	<b>1,107</b>	<b>1,224</b>	<b>1,266</b>	<b>1,743</b>	<b>1,861</b>	<b>1,973</b>
Trade account payables	1.0	2.8	5.6	4.9	4.9	5.0
Other liabilities	974.4	1,041.9	1,061.0	1,505.9	1,568.5	1,597.4
<b>Total liabilities</b>	<b>994.7</b>	<b>1,060.5</b>	<b>1,083.8</b>	<b>1,521.0</b>	<b>1,573.4</b>	<b>1,602.3</b>
<b>Total equity and liabilities</b>	<b>1,107</b>	<b>1,224</b>	<b>1,266</b>	<b>1,743</b>	<b>1,861</b>	<b>1,973</b>

Source: Commerzbank Research, Bloomberg, Company Information

**Cash Flow**

Year End Dec (€ m)	2017A	2018A	2019A	2020E	2021E	2022E
<b>Operating cash Flow</b>	<b>0</b>	<b>250</b>	<b>(157)</b>	<b>550</b>	<b>(87)</b>	<b>87</b>
Net financial investments	0	(12)	(0)	0	(0)	(0)
<b>Investing Cash Flow</b>	<b>(13)</b>	<b>(28)</b>	<b>(33)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>
<b>Free Cash Flow</b>	<b>(12)</b>	<b>222</b>	<b>(190)</b>	<b>540</b>	<b>(97)</b>	<b>77</b>
Free Cash Flow (after dividend)	(12)	222	(190)	540	(97)	77
Increase / (decrease) in debt	15	(2)	1	(6)	(10)	0
Increase / (decrease) in equity	5	39	3	(4)	0	0
Other financing cash flows	0	(0)	0	0	0	0
Cash flow from financing activities	20	37	4	(11)	(10)	0
<b>Net change in cash</b>	<b>8</b>	<b>260</b>	<b>(186)</b>	<b>529</b>	<b>(107)</b>	<b>77</b>
Beginning cash	389	397	657	469	998	891
Ending cash	397	657	470	998	891	968

Source: Commerzbank Research, Bloomberg, Company Information

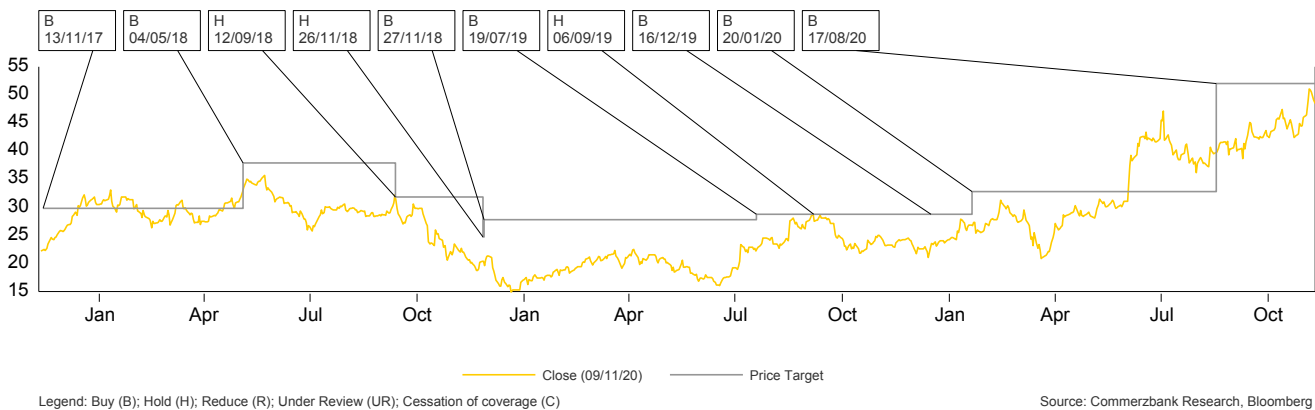
**KPI**

Year End Dec (€ m)	2017A	2018A	2019A	2020E	2021E	2022E
EBITDA growth (%)	22.7	32.2	(11.1)	104.8	53.6	26.1
EBIT growth (%)	(16.2)	2.8	(14.2)	198.8	46.2	27.6
No. of shares (class A) basic	16.8	17.9	19.4	19.6	27.1	27.1
No. of shares (class A) diluted	16.8	18.1	19.6	19.6	27.1	27.1
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Pay-out ratio	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	6.70	9.03	9.31	11.30	10.60	13.69
<b>P/E (x)</b>	<b>48.6</b>	<b>49.6</b>	<b>62.8</b>	<b>21.3</b>	<b>20.1</b>	<b>15.7</b>
P/B (x)	7.2	5.4	5.2	4.3	4.6	3.5
Dividend yield	0.0	0.0	0.0	0.0	0.0	0.0
ROE	14.9	10.7	8.2	21.1	22.8	22.5
ROCE	14.8	10.5	8.0	20.6	22.4	22.2
ROA	1.5	1.4	1.2	2.6	3.5	4.2

Source: Commerzbank Research, Bloomberg, Company Information

In accordance with ESMA MAR requirements this report was completed 10/11/2020 11:21 CET and disseminated 10/11/2020 11:21 CET.

## flatex AG (FTK GY)



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Source: Commerzbank Research

<sup>^</sup> Prior trading day's closing price unless otherwise noted. Company name: flatex AG; Exchange: XETRA

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Reduce: <0%

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