

## The NAGA Group AG<sup>\*5a,11</sup>

**Rating: BUY**

**Target price: EUR 12.75**  
(previously: EUR 11.70)

Current price: 6.13  
18.01.22 / XETRA / 12:45 pm  
Currency: EUR

**Key data:**

ISIN: DE000A161NR7  
WKN: A161NR  
Stock exchange symbol: N4G  
Number of shares<sup>3</sup>: 54.05  
Marketcap<sup>3</sup>: 331.33  
<sup>3</sup> in million / in million EUR  
free float: 15.7%.

transparency level:  
Scale  
market segment:  
Open Market

Accounting standard:  
IFRS

End of financial year: 31.12.

**Analysts:**

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\* Catalogue of possible conflicts of interest on page 6

Date (time) Completion:  
18/01/22 (01:02 pm)

Date (time) first transmission:  
19/01/22 (09:30 am)

Validity of the course target:  
until max. 31.12.2022

Branch: FinTech

Focus: Social trading and investments in financial instruments, crypto currencies and virtual goods

Employees: 138

Year of foundation: 2015

Head office: Hamburg

Board of Directors: Benjamin Bilski, Andreas Luecke, Michalis Mylonas



NAGA is an innovative Fintech company that seamlessly combines personal financial transactions and investments with its social trading platform. The company's proprietary platform offers a range of products from stock trading, investments and crypto-currencies to a physical Visa Debit Card. In addition, the platform enables exchanges with other traders, provides relevant information in the feed and autocopy functions for the trades of successful members. NAGA is a synergistic total solution that is easily accessible and inclusive. It provides an improved basis for trading, investing, networking, earning and paying. This applies to both Fiat and crypto products.

P&L in EUR million \ end of FY	31.12.2020	31.12.2021*	31.12.2022e	31.12.2023e
Revenues	24.35	55.30	96.78	135.49
EBITDA	6.57	12.80	25.48	38.01
EBIT	2.79	-	20.68	33.51
Net profit for the year	2.02	-	17.27	23.21

\* preliminary figures

Key figures in EUR				
Earnings per share	0.04	-	0.34	0.43
Dividend per share	0.00	0.00	0.00	0.00

Key figures				
EV/Revenues	12.96	5.71	3.26	2.33
EV/EBITDA	48.04	24.66	12.39	8.30
EV/EBIT	113.13	-	15.27	9.42
P/E RATIO	163.86	-	19.19	14.28
KBV	2.96			

**Financial dates**

June 2022: Financial Report 2021  
August 2022: AGM  
October 2022: Half-Year Report 2022

**\*\*last research by GBC:**

Date: Publication / Target price in EUR / Rating  
08.11.2021: RS / 11.70 EUR / BUY  
09.08.2021: RS / 9.10 EUR / BUY  
13.01.2021: RS / 7.03 EUR / BUY  
07.12.2020: RS / 4.30 EUR / BUY

\*\* the above research studies can be viewed at [www.gbc-ag.de](http://www.gbc-ag.de) or requested from GBC AG, Halderstr. 27, D86150 Augsburg

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## **Strong revenue and earnings growth in 2021; guidance for 2022 significantly above our expectations; estimates and share price target raised**

- According to preliminary figures for the past financial year 2021, The NAGA Group AG (short to: NAGA) achieved significant revenue growth as expected. Compared to the previous year, consolidated sales more than doubled to € 55.3 million (previous year: € 24.35 million), thus exceeding both the original guidance (sales guidance: € 50 - 52 million) and our sales estimates (GBC forecast: € 54.06 million). The preliminary EBITDA of € 12.8 million (previous year: € 6.57 million) also showed a significant increase. However, as the deliberate investments in customer growth led to higher marketing expenses, the preliminary EBITDA was slightly below the original EBITDA guidance (€ 13 - 15 million) and below our estimate (GBC forecast: € 14.39 million).
- As expected, the company not only benefited from the favourable market conditions for online brokers, but also from the implemented focus on the core business and the expanded marketing activities contributed to the success. Overall, the trading volume doubled from € 121 billion (2020) to over € 250 million (2021) and the number of new customers increased significantly to 277,000 (previous year: 122,000). On the product side, for example, NAGA Pay was introduced to the market, which is intended to integrate customers more strongly into the NAGA product world.
- For the current financial year, the company has announced the introduction of new products in addition to the planned continuation of international expansion. In the first quarter of 2022, NAGAX, a new social trading platform with a focus on cryptocurrencies, is to be introduced to the market. According to its own information, every user contribution on the platform will be automatically converted into an NFT, which can be monetised. In addition, since the end of 2021, NAGA has been offering its technology to selected partner companies as part of a white label solution as a SaaS model. This is intended to generate further business.
- The financing of further customer growth, possible strategic acquisitions and further product development was significantly expanded by a financing round in November 2021. With the issue of around 4.25 million shares at a price of € 8.00, an additional € 34 million was raised. Growth capital of € 22.7 million was already raised in September 2021 as part of a capital increase.
- On this basis, the company published guidance for the current 2022 financial year for the first time in November 2021. Group turnover of € 95 to 105 million and EBITDA of between € 25 and 30 million are expected. Both figures are significantly above our previous forecast (see research report dated 8 November 2021). We are adjusting our estimates in line with the company's guidance and are thus significantly raising our revenue estimate to € 96.78 million (previously: € 81.10 million) and our EBITDA forecast to € 25.48 million (previously: € 16.99 million). Due to this higher basis, we are also raising our 2023 estimates.
- Within the framework of our DCF valuation model, this results in a new target price of € 12.75 (previously: € 11.70), taking into account the last capital increase. We continue to assign the BUY rating.

### ***Model assumptions***

The NAGA Group AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2021 - 2023 in phase 1, the forecast is made from 2024 to 2028 in the second phase by applying value drivers. The 2021 business year is still part of the estimation period, as only the preliminary figures (revenue and EBITDA) are available so far. We expect revenue to increase by 15.0 %. We have assumed a target EBITDA margin of 28.1%. Due to the still existing loss carry-forwards, we have only taken the tax rate into account from phase 3 at 30.0%. In the third phase, a residual value is determined after the end of the forecast horizon using the perpetual annuity. In the final value, we assume a growth rate of 3.0 %.

### ***Determining the cost of capital***

The weighted average cost of capital (WACC) of The NAGA Group AG is calculated from the cost of equity and the cost of debt. The fair market premium, the company-specific beta and the risk-free interest rate are used to determine the cost of equity.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. The currently used value of the risk-free interest rate is 0.25 % (previously: 0.25 %).

We use the historical market premium of 5.50% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.65 (previously: 1.65) is currently determined. Using the assumptions made, a cost of equity of 9.33% (previously: 9.33%) is calculated (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of 100% for the cost of equity, the weighted average cost of capital (WACC) is 9.33% (previously: 9.33%).

### ***Valuation result***

The higher forecasts for the financial years 2022 and 2023 form a higher basis for the continuity phase of our model and have increased the fair value per share to €12.75 (previously: €11.70). We have also taken into account the most recent capital increase in November 2021 in our valuation model.

## DCF model

### The NAGA Group AG - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after the estimate phase:

consistency - phase		final - phase	
Revenue growth	15.0%	Eternal growth rate	3.0%
EBITDA-Margin	28.1%	Eternal EBITA - margin	26.5%
Depreciation to fixed assets	17.9%	Effective tax rate in final phase	30.0%
Working Capital to revenue	4.6%		

#### three phases DCF - model:

phase in €m	estimate			consistency					final value
	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	
Revenues (RE)	55.30	96.78	135.49	155.81	179.18	206.06	236.96	272.51	
RE change	127.1%	75.0%	40.0%	15.0%	15.0%	15.0%	15.0%	15.0%	3.0%
RE to fixed assets	2.40	4.03	5.38	6.31	7.38	8.60	10.01	11.62	
EBITDA	12.80	25.48	38.01	43.71	50.27	57.81	66.48	76.45	
EBITDA-Margin	23.1%	26.3%	28.1%	28.1%	28.1%	28.1%	28.1%	28.1%	
EBITA	8.40	20.68	33.51	39.21	45.86	53.47	62.20	72.22	
EBITA-Margin	15.2%	21.4%	24.7%	25.2%	25.6%	25.9%	26.2%	26.5%	26.5%
Taxes on EBITA	-0.84	-3.10	-10.05	-11.76	-13.76	-16.04	-18.66	-21.67	
Taxes to EBITA	10.0%	15.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	7.56	17.58	23.46	27.45	32.10	37.43	43.54	50.56	
Return on capital	85.3%	87.9%	83.8%	87.1%	100.5%	114.7%	129.8%	145.7%	144.2%
Working Capital (WC)	-3.00	4.00	6.30	7.25	8.33	9.58	11.02	12.67	
WC to Revenues	-5.4%	4.1%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	
Investment in WC	-6.10	-7.00	-2.30	-0.94	-1.09	-1.25	-1.44	-1.65	
Operating fixed assets (OAV)	23.00	24.00	25.20	24.70	24.29	23.95	23.67	23.45	
Depreciation on OAV	-4.40	-4.80	-4.50	-4.50	-4.41	-4.34	-4.28	-4.23	
Depreciation to OAV	19.1%	20.0%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	
Investment in OAV	-9.45	-5.80	-5.70	-4.00	-4.00	-4.00	-4.00	-4.00	
Capital employed	20.00	28.00	31.50	31.95	32.62	33.53	34.69	36.12	
EBITDA	12.80	25.48	38.01	43.71	50.27	57.81	66.48	76.45	
Taxes on EBITA	-0.84	-3.10	-10.05	-11.76	-13.76	-16.04	-18.66	-21.67	
Total investment	-15.54	-12.80	-8.00	-4.95	-5.09	-5.25	-5.44	-5.65	
Investment in OAV	-9.45	-5.80	-5.70	-4.00	-4.00	-4.00	-4.00	-4.00	
Investment in WC	-6.10	-7.00	-2.30	-0.94	-1.09	-1.25	-1.44	-1.65	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	-3.58	9.58	19.96	27.00	31.42	36.52	42.38	49.13	804.92

Value operating business (due date)	573.56	617.52
Net present value explicit free Cashflows	142.59	146.33
Net present value of terminal value	430.96	471.19
Net debt	-62.01	-71.22
Value of equity	635.56	688.74
Minority interests	0.46	0.50
Value of share capital	636.02	689.24
Outstanding shares in m	54.05	54.05
Fair value per share in €	11.77	12.75

#### Cost of capital:

Risk free rate	0.3%
Market risk premium	5.5%
Beta	1.65
Cost of equity	9.3%
Target weight	100.0%
Cost of debt	6.5%
Target weight	0.0%
Taxshield	25.0%

**WACC 9.3%**

Return on capital	WACC				
	7.3%	8.3%	9.3%	10.3%	11.3%
142.2%	18.06	14.82	12.63	11.06	9.89
143.2%	18.17	14.90	12.69	11.11	9.94
144.2%	18.27	14.97	12.75	11.16	9.98
145.2%	18.37	15.05	12.81	11.21	10.02
146.2%	18.47	15.13	12.88	11.26	10.06

## ANNEX

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The analysts responsible for this analysis are

**Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst**

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