

**Buy** (old: Buy)

04.12.2023

**EUR 70.00** (old: EUR 70.00)

### FY23 guidance in reach after solid Q3 figures; chg

Netfonds published solid Q3 figures with further sequential top and bottom line growth and confirmed its FY23 guidance. In detail:

- **Gross sales came in at € 48.4m** (21% yoy, 4% qoq), broadly in line with our estimate of € 49.0m. The sequential improvement is mainly driven by the strong growth of high margin AuM in the wealth and asset management (c. € 3bn AuM in Q3 vs eNuW: € 2.8bn after Q2), while overall AuA stagnated on record levels of € 22.7bn. Importantly, AuA inflows compensated for weaker stock market performance. Due to higher material expenses (relative to sales), **net sales of only € 8.5m** (20% yoy, -11% qoq) came in below our estimate of € 9.7m.
- **EBITDA remained rather stable on high levels of € 1.3m** (vs € -0.2m in Q2'22, -13% qoq), but significantly below our estimate of € 2.3m, solely due to the weaker net sales. While personnel expenses should have been in line with our estimates (eNuW: € 5.0m), other operating expenses should have been below (€ 2.2m vs eNuW: € 2.4m), despite further investments into the finfire platform.
- **EBT of € 0.4m** (vs € -0.6m in Q3'22) resulted from stable D&A of c. € 0.8m financial result of € -0.1m.

On the back of the solid Q3 figures, the **FY23 guidance of € 185-190m gross sales and € 35-37m net sales looks well achievable** given that 1) Q4 was historically the strongest quarter of the year and 2) stock markets rose close to all-time highs in November, which should fuel AuA/AuM. A guidance beat is still in the cards.

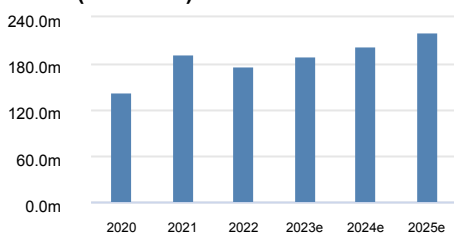
Apart from that, the **proprietary, 360° finfire platform**, which enables onboarded advisors to offer a wide range of investment, insurance, financing and banking solutions to its customers via one **holistic platform**, remains the company's key mid- to long-term growth and scalability driver. Netfonds **leading market position** in an **oligopolistic market** with high entry barriers and **long-term structural growth drivers** (growing AuM's and number of advisors, ongoing digitization of the financial sector, stricter regulation) should further support future growth.

In light of the growth prospects, the promising mid-term guidance and the undemanding valuation, we reiterate **BUY** with an unchanged **PT of € 70.00**, based on DCF.

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	143.3	193.2	176.4	191.0	204.4	220.8
Sales growth	26.5%	34.9%	-8.7%	8.3%	7.0%	8.0%
EBITDA	4.2	15.7	6.5	5.7	12.1	15.5
Net debt (if net cash=0)	13.3	2.0	2.7	2.3	-0.7	-8.4
FCF	2.6	-18.8	1.2	0.9	3.0	7.7
Net Debt/EBITDA	3.2	0.1	0.4	0.4	0.0	0.0
EPS pro forma	-0.01	3.82	0.39	0.53	2.49	3.45
EBITDA margin	2.9%	8.1%	3.7%	3.0%	5.9%	7.0%
ROCE	5.2%	34.3%	7.4%	5.6%	24.5%	31.8%
EV/sales	0.7	0.5	0.5	0.5	0.4	0.4
EV/EBITDA	25.4	6.1	14.6	16.7	7.5	5.4
PER	-6067.2	10.9	107.0	78.4	16.7	12.1
Adjusted FCF yield	1.3%	13.5%	2.3%	1.6%	7.1%	10.8%

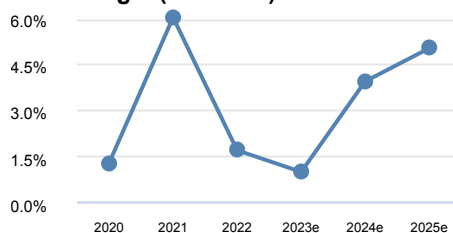
Source: Company data, NuWays, Close price as of 01.12.2023

#### Sales (2020-25e)



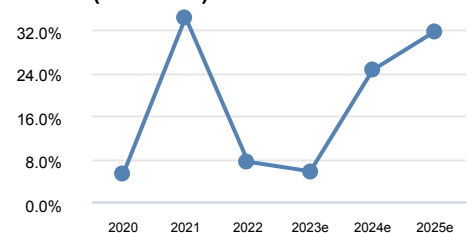
Source: NuWays Research

#### EBIT margin (2020-25e)



Source: NuWays Research

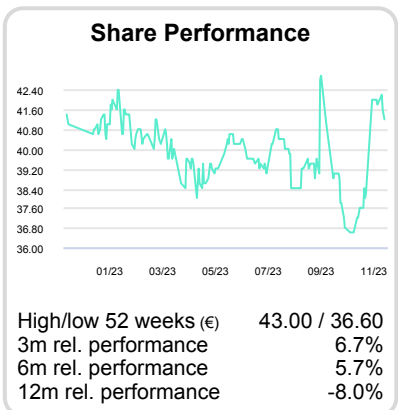
#### ROCE (2020-25e)



Source: NuWays Research

#### Company description

Netfonds is the largest bank-independent provider of liability umbrellas in Germany and one of the market leaders among broker pools offering an one-stop shop for advisors, consultants, brokers, banks, asset managers and insurance companies



#### Market data

Share price (in €)	41.20
Market cap (in € m)	92.1
Number of shares (in m pcs)	2.2
Enterprise value (in € m)	94.4
Ø trading volume (6 months)	342

#### Identifier

Bloomberg	NF4 GR
Reuters	NF4
WKN	A1MME7
ISIN	DE000A1MME74

#### Key shareholders

Management, (incl. Supervisory Board and families)	54.0%
Freefloat	46.0%

#### Estimates changes

	2023e	2024e	2025e
Sales	-2%	-3%	-3%
EBIT	-52%	-7%	-6%
EPS	-54%	-7%	-6%

#### Comment on changes

- In order to reflect weaker than expected Q3 figures (especially higher material expenses) we reduced estimates for FY23 and beyond

#### Guidance

- '23: €185-190m sales, €35-37m net sales
- '26: €59m net sales, €23m EBITDA

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>143.3</b>	<b>193.2</b>	<b>176.4</b>	<b>191.0</b>	<b>204.4</b>	<b>220.8</b>
<i>Sales growth</i>	26.5%	34.9%	-8.7%	8.3%	7.0%	8.0%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total sales</b>	<b>143.3</b>	<b>193.2</b>	<b>176.4</b>	<b>191.0</b>	<b>204.4</b>	<b>220.8</b>
Other operating income	4.2	10.4	2.4	1.0	3.1	3.3
Material expenses	115.6	154.6	142.8	156.0	163.5	174.4
Personnel expenses	16.6	19.5	19.4	20.0	21.4	23.0
Other operating expenses	11.1	13.9	10.1	10.4	10.4	11.1
<b>Total operating expenses</b>	<b>139.1</b>	<b>177.6</b>	<b>170.0</b>	<b>185.3</b>	<b>192.3</b>	<b>205.3</b>
<b>EBITDA</b>	<b>4.2</b>	<b>15.7</b>	<b>6.5</b>	<b>5.7</b>	<b>12.1</b>	<b>15.5</b>
Depreciation	2.4	4.0	3.5	3.8	4.1	4.4
<b>EBITA</b>	<b>1.8</b>	<b>11.7</b>	<b>3.0</b>	<b>1.9</b>	<b>8.1</b>	<b>11.1</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>1.8</b>	<b>11.7</b>	<b>3.0</b>	<b>1.9</b>	<b>8.1</b>	<b>11.1</b>
Interest income	0.0	0.7	0.3	0.3	0.3	0.4
Interest expenses	1.1	2.6	0.5	0.5	0.5	0.6
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.0	-1.9	-0.1	-0.2	-0.2	-0.2
<b>Recurring pretax income from continuing operations</b>	<b>0.8</b>	<b>9.8</b>	<b>2.8</b>	<b>1.7</b>	<b>7.9</b>	<b>10.9</b>
Extraordinary income/loss	-0.2	-0.3	-0.8	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>0.6</b>	<b>9.5</b>	<b>2.0</b>	<b>1.7</b>	<b>7.9</b>	<b>10.9</b>
Income tax expense	0.5	0.7	1.1	0.5	2.4	3.3
<b>Net income from continuing operations</b>	<b>0.0</b>	<b>8.8</b>	<b>0.9</b>	<b>1.2</b>	<b>5.5</b>	<b>7.6</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>0.0</b>	<b>8.8</b>	<b>0.9</b>	<b>1.2</b>	<b>5.5</b>	<b>7.6</b>
Minority interest	-0.0	-0.3	-0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>-0.0</b>	<b>8.5</b>	<b>0.9</b>	<b>1.2</b>	<b>5.5</b>	<b>7.6</b>
Average number of shares	2.2	2.2	2.2	2.2	2.2	2.2
<b>EPS reported</b>	<b>-0.01</b>	<b>3.82</b>	<b>0.39</b>	<b>0.53</b>	<b>2.49</b>	<b>3.45</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Sales growth</i>	26.5%	34.9%	-8.7%	8.3%	7.0%	8.0%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	2.9%	5.4%	1.3%	0.5%	1.5%	1.5%
Material expenses	80.7%	80.0%	80.9%	81.7%	80.0%	79.0%
Personnel expenses	11.6%	10.1%	11.0%	10.5%	10.5%	10.4%
Other operating expenses	7.7%	7.2%	5.7%	5.4%	5.1%	5.0%
<b>Total operating expenses</b>	<b>97.1%</b>	<b>91.9%</b>	<b>96.3%</b>	<b>97.0%</b>	<b>94.1%</b>	<b>93.0%</b>
<b>EBITDA</b>	<b>2.9%</b>	<b>8.1%</b>	<b>3.7%</b>	<b>3.0%</b>	<b>5.9%</b>	<b>7.0%</b>
Depreciation	1.6%	2.1%	2.0%	2.0%	2.0%	2.0%
<b>EBITA</b>	<b>1.3%</b>	<b>6.0%</b>	<b>1.7%</b>	<b>1.0%</b>	<b>3.9%</b>	<b>5.0%</b>
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>1.3%</b>	<b>6.0%</b>	<b>1.7%</b>	<b>1.0%</b>	<b>3.9%</b>	<b>5.0%</b>
Interest income	0.0%	0.4%	0.2%	0.2%	0.2%	0.2%
Interest expenses	0.7%	1.3%	0.3%	0.3%	0.3%	0.3%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>0.5%</b>	<b>5.1%</b>	<b>1.6%</b>	<b>0.9%</b>	<b>3.8%</b>	<b>4.9%</b>
Extraordinary income/loss	-0.1%	-0.1%	-0.5%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>0.4%</b>	<b>4.9%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>3.8%</b>	<b>4.9%</b>
Tax rate	87.4%	7.8%	55.7%	30.0%	30.0%	30.0%
<b>Net income from continuing operations</b>	<b>0.0%</b>	<b>4.6%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>2.7%</b>	<b>3.5%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>0.0%</b>	<b>4.6%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>2.7%</b>	<b>3.5%</b>
Minority interest	-0.0%	-0.2%	-0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>-0.0%</b>	<b>4.4%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>2.7%</b>	<b>3.5%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	17.2	14.6	11.9	11.9	11.9	11.9
Property, plant and equipment	0.7	0.5	0.4	0.4	0.4	0.4
Financial assets	0.8	10.6	11.2	11.2	11.2	11.2
<b>FIXED ASSETS</b>	<b>18.6</b>	<b>25.7</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>
Inventories	12.2	0.0	0.0	0.0	0.0	0.0
Accounts receivable	28.1	35.5	31.3	33.9	36.2	39.1
Other assets and short-term financial assets	3.8	4.6	2.1	2.0	1.9	1.8
Liquid assets	12.4	4.9	6.4	6.7	9.8	17.5
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.2	0.2	0.2	0.2	0.2	0.2
<b>CURRENT ASSETS</b>	<b>56.8</b>	<b>45.2</b>	<b>40.0</b>	<b>42.8</b>	<b>48.1</b>	<b>58.6</b>
<b>TOTAL ASSETS</b>	<b>75.4</b>	<b>71.0</b>	<b>63.7</b>	<b>66.5</b>	<b>71.7</b>	<b>82.3</b>

<b>SHAREHOLDERS EQUITY</b>	<b>13.8</b>	<b>22.4</b>	<b>22.7</b>	<b>21.5</b>	<b>22.7</b>	<b>28.2</b>
MINORITY INTEREST	0.1	-0.2	-0.3	-0.3	-0.3	-0.3
Provisions for pensions and similar obligations	0.6	0.6	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	6.6	4.1	1.1	1.1	1.1	1.1
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	21.2	28.5	29.1	33.1	37.2	42.1
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	6.6	8.1	1.1	1.2	1.2	1.2
Deferred taxes	0.4	0.3	0.6	0.6	0.6	0.6
Deferred income	0.2	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>27.8</b>	<b>36.6</b>	<b>30.2</b>	<b>34.2</b>	<b>38.4</b>	<b>43.4</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>75.4</b>	<b>71.0</b>	<b>63.7</b>	<b>66.5</b>	<b>71.7</b>	<b>82.3</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	22.8%	20.5%	18.8%	18.0%	16.6%	14.5%
Property, plant and equipment	0.9%	0.7%	0.7%	0.6%	0.6%	0.5%
Financial assets	1.0%	15.0%	17.7%	16.9%	15.7%	13.7%
<b>FIXED ASSETS</b>	<b>24.7%</b>	<b>36.3%</b>	<b>37.1%</b>	<b>35.5%</b>	<b>32.9%</b>	<b>28.7%</b>
Inventories	16.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	37.3%	50.1%	49.1%	51.0%	50.5%	47.6%
Other assets and short-term financial assets	5.1%	6.4%	3.3%	3.0%	2.7%	2.2%
Liquid assets	16.4%	6.9%	10.1%	10.1%	13.6%	21.2%
Deferred taxes	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%
Deferred charges and prepaid expenses	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%
<b>CURRENT ASSETS</b>	<b>75.3%</b>	<b>63.7%</b>	<b>62.9%</b>	<b>64.5%</b>	<b>67.1%</b>	<b>71.3%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>18.4%</b>	<b>31.6%</b>	<b>35.7%</b>	<b>32.4%</b>	<b>31.6%</b>	<b>34.3%</b>
MINORITY INTEREST	0.1%	-0.3%	-0.5%	-0.4%	-0.4%	-0.4%
Provisions for pensions and similar obligations	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	8.8%	5.8%	1.7%	1.7%	1.5%	1.3%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	28.1%	40.1%	45.7%	49.8%	51.8%	51.2%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	8.8%	11.4%	1.8%	1.8%	1.7%	1.5%
Deferred taxes	0.5%	0.4%	0.9%	0.9%	0.8%	0.7%
Deferred income	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>36.9%</b>	<b>51.5%</b>	<b>47.5%</b>	<b>51.5%</b>	<b>53.5%</b>	<b>52.7%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	0.0	8.7	0.9	1.2	5.5	7.6
Depreciation of fixed assets (incl. leases)	2.4	4.0	3.5	3.8	4.1	4.4
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.8	-1.3	-0.5	0.0	0.0	0.0
Cash flow from operating activities	2.9	-21.8	-0.4	0.9	3.0	7.7
Increase/decrease in inventory	2.9	-24.7	1.1	0.0	0.0	0.0
Increase/decrease in accounts receivable	-7.1	-1.7	6.8	-2.6	-2.4	-2.9
Increase/decrease in accounts payable	5.5	-3.7	-4.1	4.0	4.1	5.0
Increase/decrease in other working capital positions	1.5	2.0	-0.0	-0.0	-0.0	-0.0
Increase/decrease in working capital	2.7	-28.2	3.9	1.4	1.7	2.1
<b>Cash flow from operating activities</b>	<b>5.2</b>	<b>-17.8</b>	<b>3.1</b>	<b>4.7</b>	<b>7.1</b>	<b>12.1</b>
CAPEX	2.6	1.1	1.9	3.8	4.1	4.4
Payments for acquisitions	-1.1	0.0	0.0	0.0	0.0	0.0
Financial investments	7.2	11.4	1.3	0.0	0.0	0.0
Income from asset disposals	0.0	0.2	0.5	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-8.7</b>	<b>-12.2</b>	<b>-2.6</b>	<b>-3.8</b>	<b>-4.1</b>	<b>-4.4</b>
Cash flow before financing	-3.5	-30.4	-0.2	0.4	3.0	n.a.
Increase/decrease in debt position	9.5	24.2	2.2	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	3.1	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.4	0.6	0.6	0.0	0.0
Others	-0.8	-1.3	-0.5	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>11.8</b>	<b>22.5</b>	<b>1.1</b>	<b>-0.5</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	8.3	-7.5	1.5	0.4	3.0	n.a.
<b>Liquid assets at end of period</b>	<b>12.3</b>	<b>4.8</b>	<b>6.3</b>	<b>6.7</b>	<b>9.8</b>	<b>17.5</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	26.5%	34.9%	-8.7%	8.3%	7.0%	8.0%
EBITDA growth	176.7%	436.6%	55.3%	-63.9%	87.1%	173.9%
EBIT growth	-4240.4%	1698.4%	64.1%	-84.1%	171.4%	498.3%
EPS growth	-98.3%	-1693.6%	-5628.8%	-86.1%	540.4%	549.4%
<b>Efficiency</b>						
Sales per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No. employees (average)	0	0	0	0	0	0
<b>Balance sheet analysis</b>						
Avg. working capital / sales	9.1%	7.3%	6.1%	2.1%	0.3%	-0.5%
Inventory turnover (sales/inventory)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable turnover	71.5	67.1	64.7	64.7	64.7	64.7
Accounts payable turnover	53.9	53.8	60.2	63.2	66.4	69.7
<b>Cash flow analysis</b>						
Free cash flow	2.6	-18.8	1.2	0.9	3.0	7.7
Free cash flow/sales	1.8%	-9.7%	0.7%	0.5%	1.5%	3.5%
FCF / net profit	8654.1%	neg.	137.2%	79.8%	54.4%	100.8%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	13.3	2.0	2.7	2.3	-0.7	-8.4
Net Debt/EBITDA	3.2	0.1	0.4	0.4	0.0	0.0
Dividend payout ratio	0.0%	4.2%	64.3%	0.0%	0.0%	0.0%
Interest paid / avg. debt	6.8%	22.4%	2.7%	6.2%	5.9%	6.3%
<b>Returns</b>						
ROCE	5.2%	34.3%	7.4%	5.6%	24.5%	31.8%
ROE	-0.1%	37.8%	3.8%	5.5%	24.3%	27.1%
Adjusted FCF yield	1.3%	13.5%	2.3%	1.6%	7.1%	10.8%
Dividend yield	0.0%	0.4%	0.6%	0.0%	0.0%	0.0%
DPS	0.0	0.2	0.2	0.0	0.0	0.0
EPS reported	-0.01	3.82	0.39	0.53	2.49	3.45
Average number of shares	2.2	2.2	2.2	2.2	2.2	2.2
<b>Valuation ratios</b>						
P/BV	6.7	4.1	4.1	4.3	4.1	3.3
EV/sales	0.7	0.5	0.5	0.5	0.4	0.4
EV/EBITDA	25.4	6.1	14.6	16.7	7.5	5.4
EV/EBIT	58.6	8.1	31.9	50.9	11.4	7.5

Source: Company data, NuWays

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Company	Disclosures
Netfonds AG	2

### Historical target price and rating changes for Netfonds AG

Company	Date	Analyst	Rating	Target Price	Close
Netfonds AG	20.09.2023	Jarchow, Frederik	n.a.	EUR 70.00	EUR 42.80

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