

THE NAGA GROUP AG

Financial Services - Germany



Buy (old: Buy)

20.09.2024

EUR 1.40 (old: EUR 1.20)

New game changing cooperation with Telegram; chg.

Topic: Yesterday, the Group's CEO Octavian Patrascu presented its growth plans for NAGA during our roundtable. Further, he announced to have entered into a cooperation with the messenger Telegram. Our key takeaways:

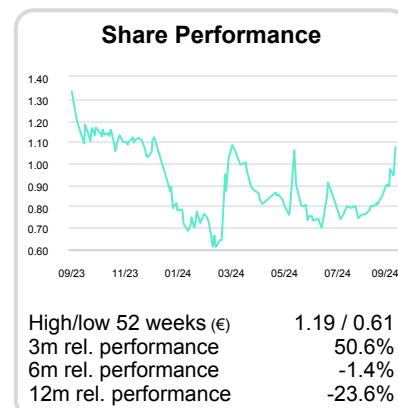
First-ever fully integrated trading app within Telegram. As a first mover, NAGA is the first broker that natively integrated its full trading offering into the Telegram ecosystem. Customers now can do the whole onboarding and KYC process without leaving the Telegram app. Further, onboarded customer can use all the features of the NAGA Super APP within the Telegram app. In our view, the integration of the NAGA SuperApp into the Telegram ecosystem with its c. 950m users is a bold move, that should massively increase the reach of NAGA and lower entry barriers for potential new customers. As a result, number of new customers should increase significantly. Further customer activity should increase as well, as receiving a trading signal and placing a trade is no longer separated in two different apps. At least not from a user's perspective.

Promising growth ambitions unveiled. Similar to the recently announced cooperation with BVB, the cooperation with Telegram is another important milestone on NAGA's growth path. According to its internal plan, NAGA expects to grow to € 129m in sales until FY26e, achieving some € 31m EBITDA. This is clearly above our conservative estimates of € 103m in sales and € 21m EBITDA, but not out of reach. Keep in mind that an incremental positive change in the sentiment could have an enormous effect on the P&L of NAGA. The leverage of the joint Group could even scale this effect.

For FY24, we are anticipating **€ 71m in sales and an EBITDA of € 8.6m** (12% EBITDA margin), slightly below the internal plan on the topline (€ 75m) and above on the bottom line (€ 8.7m). Obviously, investment into future growth could burden margins in the short-term.

Overall, the revitalization of customer activity in the brokerage space, paired with cross-selling and synergy effects arising from the merger and important strategic cooperations should fuel NAGA's growth going forward.

BUY with a new **PT of € 1.40** based on DCF.



Market data

Share price (in €)	1.07
Market cap (in € m)	243.5
Number of shares (in m pcs)	226.5
Enterprise value (in € m)	244.3
Ø trading volume (6 months)	27,497

Identifier

Bloomberg	N4G GR
Reuters	N4G
WKN	A161NR
ISIN	DE000A161NR7

Key shareholders

Fosun Fintech Holdings	7.9%
Apeiron	5.2%
Management	47.3%
Other	43.2%

Estimates changes

	2024e	2025e	2026e
Sales	0%	7%	14%
EBIT	-184%	-8%	24%
EPS	-109%	-405%	46%

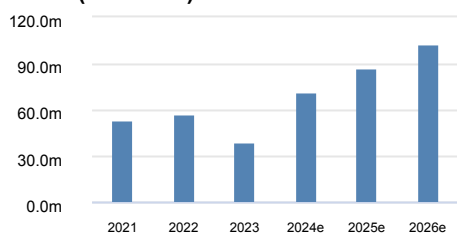
Comment on changes

- We lift sales estimates for FY25 and FY26 in order to reflect positive effects from the new cooperations and higher anticipated growth investments that should burden topline in the short-term

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	52.9	57.6	39.7	71.8	87.7	102.9
Sales growth	117.1%	8.9%	-31.0%	80.8%	22.1%	17.3%
EBITDA	-4.2	-13.7	8.4	8.6	15.1	21.3
Net debt (if net cash=0)	-7.6	-3.1	-1.1	0.8	2.9	0.5
FCF	-27.3	-32.6	-4.2	-9.6	-2.1	2.3
Net Debt/EBITDA	0.0	0.0	0.0	0.1	0.2	0.0
EPS pro forma	-0.20	-0.82	-1.13	-0.02	-0.00	0.02
EBITDA margin	-7.9%	-23.8%	21.3%	12.0%	17.2%	20.7%
ROCE	-7.0%	-31.9%	-52.7%	-0.8%	3.1%	4.2%
EV/sales	1.0	1.0	1.4	3.4	2.8	2.4
EV/EBITDA	-12.0	-4.0	6.7	28.3	16.3	11.5
PER	-5.4	-1.3	-1.0	-44.1	-281.2	68.5
Adjusted FCF yield	-16.7%	-67.0%	-101.3%	-0.5%	1.7%	3.9%

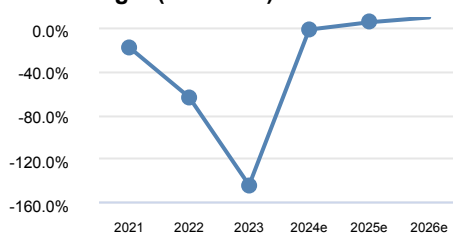
Source: Company data, NuWays, Close price as of 19.09.2024

Sales (2021-26e)



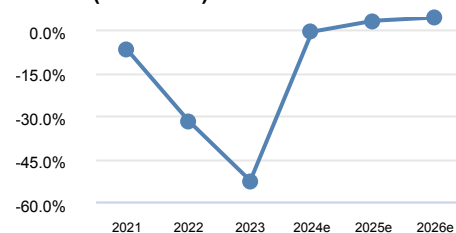
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



Source: NuWays Research

Company description

The NAGA Group AG is a financial technology and services company that develops and markets disruptive online brokerage applications. The company's proprietary platform offers a range of products, from stock trading to investing and cryptocurrencies to a physical VISA debit card.

Guidance

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	52.9	57.6	39.7	71.8	87.7	102.9
Sales growth	117.1%	8.9%	-31.0%	80.8%	22.1%	17.3%
Cost of sales	8.5	15.0	10.0	19.4	23.1	26.4
Gross profit	44.4	42.6	29.8	52.4	64.6	76.5
Sales and marketing	32.5	28.3	4.6	21.6	23.7	26.4
General and administration	8.0	10.7	6.5	12.6	14.6	16.2
Research and development	3.5	6.7	3.4	5.4	6.2	7.0
Other operating income	3.8	6.1	2.9	5.7	6.7	7.4
Other operating expenses	8.5	16.7	9.8	10.1	11.7	13.0
Total operating expenses	48.6	56.3	21.3	43.8	49.5	55.2
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-4.2	-13.7	8.4	8.6	15.1	21.3
Depreciation	5.3	7.8	9.0	9.9	10.8	11.7
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	15.3	57.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-9.5	-36.9	-57.6	-1.3	4.3	9.6
Interest income	0.0	0.1	0.3	0.1	0.1	0.1
Interest expenses	1.7	7.5	3.6	4.3	5.3	6.2
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.7	-7.4	-3.4	-4.2	-5.2	-6.1
Recurring pretax income from continuing operations	-11.2	-44.3	-61.0	-5.6	-0.9	3.5
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-11.2	-44.3	-61.0	-5.6	-0.9	3.5
Income tax expense	-0.5	-0.1	0.0	0.0	0.0	0.0
Net income from continuing operations	-10.8	-44.1	-61.0	-5.6	-0.9	3.5
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-10.8	-44.1	-61.0	-5.6	-0.9	3.5
Minority interest	-0.7	-0.0	-0.0	-0.0	-0.0	-0.0
Net profit (reported)	-10.1	-44.1	-60.9	-5.5	-0.9	3.6
Average number of shares	44.2	54.0	54.0	226.5	226.5	226.5
EPS reported	-0.23	-0.82	-1.13	-0.02	-0.00	0.02

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	16.0%	26.1%	25.1%	27.0%	26.3%	25.7%
Gross profit	84.0%	73.9%	74.9%	73.0%	73.7%	74.3%
Sales and marketing	61.4%	49.2%	11.7%	30.0%	27.0%	25.6%
General and administration	15.1%	18.6%	16.3%	17.5%	16.6%	15.8%
Research and development	6.6%	11.6%	8.4%	7.5%	7.1%	6.8%
Other operating income	7.1%	10.7%	7.4%	8.0%	7.6%	7.2%
Other operating expenses	16.0%	29.0%	24.7%	14.0%	13.3%	12.6%
Total operating expenses	92.0%	97.8%	53.6%	61.0%	56.4%	53.6%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	-7.9%	-23.8%	21.3%	12.0%	17.2%	20.7%
Depreciation	10.1%	13.5%	22.7%	13.8%	12.4%	11.4%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	26.6%	143.5%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-18.1%	-64.0%	-145.0%	-1.8%	4.9%	9.3%
Interest income	0.0%	0.1%	0.7%	0.1%	0.1%	0.1%
Interest expenses	3.2%	13.0%	9.1%	6.0%	6.0%	6.0%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-21.2%	-76.8%	-153.4%	-7.7%	-1.0%	3.4%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-21.2%	-76.8%	-153.4%	-7.7%	-1.0%	3.4%
Tax rate	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income from continuing operations	-20.3%	-76.6%	-153.5%	-7.7%	-1.0%	3.4%
Net income	-20.3%	-76.6%	-153.5%	-7.7%	-1.0%	3.4%
Minority interest	-1.2%	-0.0%	-0.1%	-0.0%	-0.0%	-0.0%
Net profit (reported)	-19.1%	-76.6%	-153.4%	-7.7%	-1.0%	3.5%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	119.6	114.2	51.9	215.2	215.2	215.2
Property, plant and equipment	0.6	0.6	0.6	1.1	1.1	1.1
Financial assets	0.2	0.2	0.1	0.1	0.1	0.1
FIXED ASSETS	120.3	115.0	52.6	216.4	216.4	216.4
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	1.6	0.5	0.2	5.1	6.2	7.3
Other assets and short-term financial assets	46.8	6.5	3.6	3.3	3.6	4.0
Liquid assets	8.6	3.1	4.5	9.1	7.0	9.4
Deferred taxes	0.0	0.0	0.0	1.7	1.7	1.7
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	57.0	10.2	8.3	19.2	18.6	22.4
TOTAL ASSETS	177.4	125.1	60.9	235.6	235.0	238.7
SHAREHOLDERS EQUITY	164.1	111.5	50.9	217.9	217.1	220.6
MINORITY INTEREST	-1.0	-1.0	-1.5	-1.5	-1.5	-1.5
Long-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	0.0	0.0	3.4	3.4	3.4	3.4
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	0.4	2.1	0.8	0.8	0.8	0.8
NON-CURRENT LIABILITIES	0.0	0.0	0.0	0.0	0.0	0.0
Short-term liabilities to banks	1.0	0.0	0.0	6.5	6.5	6.5
Accounts payable	4.2	6.0	2.0	3.7	4.4	5.1
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.2	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	8.4	6.6	5.2	4.7	4.2	3.8
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	13.8	12.6	7.2	14.9	15.2	15.4
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	177.4	125.1	60.9	235.6	235.0	238.7
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	67.4%	91.3%	85.2%	91.3%	91.6%	90.1%
Property, plant and equipment	0.3%	0.5%	0.9%	0.5%	0.5%	0.4%
Financial assets	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%
FIXED ASSETS	67.8%	91.9%	86.4%	91.8%	92.1%	90.6%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.9%	0.4%	0.3%	2.2%	2.7%	3.1%
Other assets and short-term financial assets	26.4%	5.2%	6.0%	1.4%	1.5%	1.7%
Liquid assets	4.8%	2.5%	7.4%	3.9%	3.0%	3.9%
Deferred taxes	0.0%	0.0%	0.0%	0.7%	0.7%	0.7%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	32.2%	8.1%	13.6%	8.2%	7.9%	9.4%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	92.5%	89.1%	83.7%	92.5%	92.4%	92.4%
MINORITY INTEREST	-0.6%	-0.8%	-2.4%	-0.6%	-0.6%	-0.6%
Long-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	0.0%	0.0%	5.6%	1.4%	1.4%	1.4%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.2%	1.7%	1.4%	0.4%	0.4%	0.3%
NON-CURRENT LIABILITIES	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term liabilities to banks	0.6%	0.0%	0.0%	2.8%	2.8%	2.7%
Accounts payable	2.4%	4.8%	3.2%	1.6%	1.9%	2.1%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	4.7%	5.3%	8.6%	2.0%	1.8%	1.6%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	7.8%	10.1%	11.8%	6.3%	6.5%	6.4%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-10.8	-37.2	-61.0	-5.6	-0.9	3.5
Depreciation of fixed assets (incl. leases)	5.3	7.8	9.0	9.9	10.8	11.7
Amortisation of goodwill & intangible assets	0.0	15.3	57.0	0.0	0.0	0.0
Other costs affecting income / expenses	-10.9	-12.2	3.0	-0.8	-0.8	-0.8
Cash flow from operating activities	-18.2	-37.6	-66.9	-9.6	-2.1	2.3
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-0.5	-0.1	0.2	-5.0	-1.1	-1.1
Increase/decrease in accounts payable	2.6	5.1	-11.4	1.7	0.7	0.6
Increase/decrease in other working capital positions	1.7	5.0	3.4	0.0	0.0	0.0
Increase/decrease in working capital	3.8	10.0	-7.8	-3.2	-0.4	-0.4
Cash flow from operating activities	-12.9	-14.5	-0.9	0.3	8.7	14.0
CAPEX	14.4	18.1	3.3	9.9	10.8	11.7
Payments for acquisitions	0.0	0.0	0.0	0.5	0.0	0.0
Financial investments	27.1	-27.1	0.1	0.0	0.0	0.0
Income from asset disposals	0.0	0.1	-0.0	0.0	0.0	0.0
Cash flow from investing activities	-41.6	9.2	-3.4	-10.4	-10.8	-11.7
Cash flow before financing	-54.5	-5.4	-4.3	-10.1	-2.1	2.3
Increase/decrease in debt position	4.4	-0.1	6.5	6.5	0.0	0.0
Purchase of own shares	-0.6	0.0	0.0	0.0	0.0	0.0
Capital measures	53.6	0.0	0.0	8.2	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.7	-0.0	-0.7	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
Cash flow from financing activities	57.8	-0.1	5.8	14.7	0.0	0.0
Increase/decrease in liquid assets	3.4	-5.5	1.4	4.6	-2.1	2.3
Liquid assets at end of period	8.6	3.1	4.5	9.1	7.0	9.4

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	117.1%	8.9%	-31.0%	80.8%	22.1%	17.3%
EBITDA growth	-54.2%	-405.3%	-301.0%	-162.8%	78.9%	147.0%
EBIT growth	-21.6%	-4021.0%	503.2%	-96.4%	-107.4%	-829.1%
EPS growth	-23.4%	5689.9%	392.8%	-97.0%	-99.7%	-164.4%
Efficiency						
Sales per employee	455.8	412.9	295.4	515.0	749.5	898.3
EBITDA per employee	-36.2	-98.4	62.8	61.8	129.1	186.0
No. employees (average)	116	140	134	140	117	114
Balance sheet analysis						
Avg. working capital / sales	-1.9%	-4.3%	-5.7%	-2.8%	-0.0%	1.8%
Inventory turnover (sales/inventory)	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable turnover	10.7	3.3	3.3	26.0	26.0	26.0
Accounts payable turnover	209.3	209.3	40.0	70.0	70.0	70.0
Cash flow analysis						
Free cash flow	-27.3	-32.6	-4.2	-9.6	-2.1	2.3
Free cash flow/sales	-51.7%	-56.6%	-10.6%	-13.4%	-2.4%	2.3%
FCF / net profit	254.3%	87.7%	6.9%	172.8%	231.8%	66.1%
Capex / sales	78.6%	-15.7%	8.5%	13.8%	12.4%	11.4%
Solvency						
Net debt	-7.6	-3.1	-1.1	0.8	2.9	0.5
Net Debt/EBITDA	0.0	0.0	0.0	0.1	0.2	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	171.3%	1243.9%	166.2%	43.6%	79.3%	62.4%
Returns						
ROCE	-7.0%	-31.9%	-52.7%	-0.8%	3.1%	4.2%
ROE	-6.2%	-39.6%	-119.6%	-2.5%	-0.4%	1.6%
Adjusted FCF yield	-16.7%	-67.0%	-101.3%	-0.5%	1.7%	3.9%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.23	-0.82	-1.13	-0.02	-0.00	0.02
Average number of shares	44.2	54.0	54.0	226.5	226.5	226.5
Valuation ratios						
P/BV	0.3	0.5	1.1	1.1	1.1	1.1
EV/sales	1.0	1.0	1.4	3.4	2.8	2.4
EV/EBITDA	-12.0	-4.0	6.7	28.3	16.3	11.5
EV/EBIT	-5.3	-1.5	-1.0	-185.7	57.7	25.5

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

Indication of conflict of interest

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Company	Disclosures
THE NAGA GROUP AG	2

Historical target price and rating changes for THE NAGA GROUP AG

Company	Date	Analyst	Rating	Target Price	Close
THE NAGA GROUP AG	27.05.2024	Jarchow, Frederik	Buy	EUR 1.20	EUR 0.78
	16.01.2024	Jarchow, Frederik	Hold	EUR 1.30	EUR 0.81
	17.11.2023	Jarchow, Frederik	Hold	EUR 1.30	EUR 1.13
	16.11.2023	Jarchow, Frederik	Hold	EUR 1.20	EUR 1.13

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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