

THE NAGA GROUP AG

Financial Services - Germany



Buy (old: Buy)

05.11.2024

EUR 1.40 (old: EUR 1.40)

Merger burdened H1 figures; Growth ahead; chg

Topic: Last week, NAGA reported unaudited figures for H1'24 that came in weaker than expected on both top- and bottom line, mainly due to effects related to the merger of NAGA and CAPEX. In detail:

- **Sales of € 31.6m** (vs eNuW: € 33.8m) were below previous year's pro forma figures of € 36.0m. According to the company, this was the resulting from the closure of loss-making non-core subsegments. This is reflected in lower than anticipated avg. revenue per trade of only € 4.0 (vs € 5.0 pro forma in H1'23 vs eNuW: € 4.5). Positively, trading activity increased to 7.9m transactions (vs 7.2m pro forma in H1'23 vs eNuW: 7.5m).
- **EBITDA came in at € 2.6m, above previous year's figures** (€ 1.5m pro forma in H1'23), but below our expectations (eNuW: € 4.4m). The positive yoy development is mainly driven by significant cost cutting, i.e. of sales related expenses (€ 6.2m vs € 8.7m pro forma H1'23 vs eNuW: € 6.3m), personnel expenses (€ 5.7m vs € 7.0m pro forma in H1'23 vs eNuW: € 6.0m) and other operating costs (€ 5.8m vs € 7.6m pro forma H1'23 vs eNuW: € 4.6m) overcompensating for the weaker topline. Still, due to higher than anticipated marketing expenses as well as lower other operating income and sales, EBITDA fell short of expectations. **EBT of € -4.1m** (vs eNuW: € -2.4m), is mainly burdened by regular D&A to the tune of € 5.5m and financing costs of € 1.2m.

Despite the rather disappointing H1'24 figures, the outlook remained bright. On the back of high marketing spendings in H1, the launch of the fully integrated NAGA SuperApp within the Telegram ecosystem with more than 950m user, as well as the cooperation with Borussia Dortmund, we expect a significant sequential improvement in H2 that should result in € 67.5m in sales and € 5.9m EBITDA in FY24, which is rather conservative and below the **internal plan of € 75m in sales and € 8.6m**.

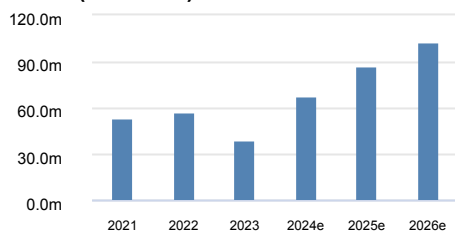
For FY26e, management plan to achieve € 129m and € 31m EBITDA, which looks ambitious but not out of reach, yet below our current estimates of € 103m sales and € 19m EBITDA). Keep in mind that an incremental positive change in the sentiment could have an enormous effect on the P&L of NAGA.

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

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	52.9	57.6	39.7	67.5	87.7	102.9
Sales growth	117.1%	8.9%	-31.0%	70.0%	29.9%	17.3%
EBITDA	-4.2	-13.7	8.4	5.9	12.7	18.8
Net debt (if net cash=0)	-7.6	-3.1	-1.1	-3.1	4.6	3.4
FCF	-27.3	-32.6	-4.2	-4.1	-7.7	1.2
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.4	0.2
EPS pro forma	-0.20	-0.82	-1.13	-0.03	-0.01	0.01
EBITDA margin	-7.9%	-23.8%	21.3%	8.8%	14.5%	18.3%
ROCE	-7.0%	-31.9%	-52.7%	-3.8%	2.7%	7.8%
EV/sales	0.7	0.7	1.1	2.9	2.3	1.9
EV/EBITDA	-9.0	-3.1	5.2	32.4	15.7	10.6
PER	-4.2	-1.0	-0.7	-26.8	-80.6	96.2
Adjusted FCF yield	-22.4%	-87.2%	-130.4%	-2.1%	1.0%	3.6%

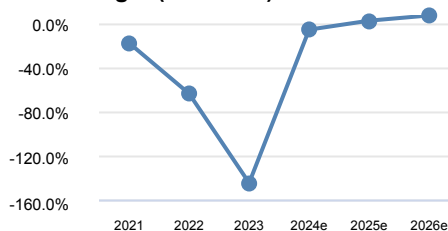
Source: Company data, NuWays, Close price as of 31.10.2024

Sales (2021-26e)



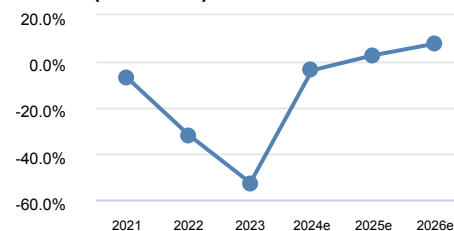
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

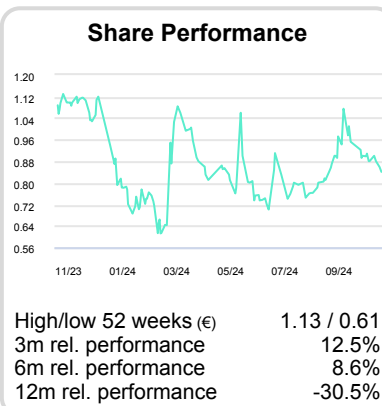
ROCE (2021-26e)



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.



Market data

Share price (in €)	0.84
Market cap (in € m)	195.5
Number of shares (in m pcs)	232.8
Enterprise value (in € m)	192.5
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	-6%	0%	0%
EBIT	-204%	-55%	-26%
EPS	-29%	-173%	-44%

Comment on changes

- We reduce sales estimates for FY24 and increase OPEX for FY24 and beyond to reflect H1 figures.

Guidance

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	52.9	57.6	39.7	67.5	87.7	102.9
Sales growth	117.1%	8.9%	-31.0%	70.0%	29.9%	17.3%
Cost of sales	8.5	15.0	10.0	13.7	17.3	19.8
Gross profit	44.4	42.6	29.8	53.9	70.4	83.1
Sales and marketing	32.5	28.3	4.6	22.6	26.5	29.5
General and administration	8.0	10.7	6.5	12.0	14.8	16.5
Research and development	3.5	6.7	3.4	1.8	2.2	2.4
Other operating income	3.8	6.1	2.9	0.7	0.8	0.9
Other operating expenses	8.5	16.7	9.8	12.2	15.0	16.7
Total operating expenses	48.6	56.3	21.3	47.9	57.7	64.2
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-4.2	-13.7	8.4	5.9	12.7	18.8
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	-4.0	1.9	7.1
Interest income	0.0	0.1	0.3	0.1	0.1	0.1
Interest expenses	1.7	7.5	3.6	3.4	4.5	5.2
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.7	-7.4	-3.4	-3.3	-4.4	-5.1
Recurring pretax income from continuing operations	-11.2	-44.3	-61.0	-7.3	-2.5	2.0
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-11.2	-44.3	-61.0	-7.3	-2.5	2.0
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	-7.3	-2.5	2.0
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	-7.3	-2.5	2.0
Minority interest	-0.7	-0.0	-0.0	-0.0	-0.0	-0.0
Net profit (reported)	-10.1	-44.1	-60.9	-7.3	-2.4	2.0
Average number of shares	44.2	54.0	54.0	232.8	232.8	232.8
EPS reported	-0.23	-0.82	-1.13	-0.03	-0.01	0.01

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%	20.2%	19.7%	19.2%
Gross profit	84.0%	73.9%	74.9%	79.8%	80.3%	80.8%
Sales and marketing	61.4%	49.2%	11.7%	33.5%	30.2%	28.7%
General and administration	15.1%	18.6%	16.3%	17.8%	16.9%	16.1%
Research and development	6.6%	11.6%	8.4%	2.6%	2.5%	2.4%
Other operating income	7.1%	10.7%	7.4%	1.0%	0.9%	0.9%
Other operating expenses	16.0%	29.0%	24.7%	18.0%	17.1%	16.2%
Total operating expenses	92.0%	97.8%	53.6%	71.0%	65.8%	62.5%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	-7.9%	-23.8%	21.3%	8.8%	14.5%	18.3%
Depreciation	10.1%	13.5%	22.7%	14.7%	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%	-5.9%	2.2%	6.9%
Interest income	0.0%	0.1%	0.7%	0.1%	0.1%	0.1%
Interest expenses	3.2%	13.0%	9.1%	5.1%	5.1%	5.1%
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%	-10.9%	-2.8%	1.9%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-21.2%	-76.8%	-153.4%	-10.9%	-2.8%	1.9%
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%	-10.9%	-2.8%	1.9%
Net income	-20.3%	-76.6%	-153.5%	-10.9%	-2.8%	1.9%
Minority interest	-1.2%	-0.0%	-0.1%	-0.1%	-0.0%	-0.0%
Net profit (reported)	-19.1%	-76.6%	-153.4%	-10.8%	-2.8%	2.0%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	119.6	114.2	51.9	74.6	74.6	74.6
Property, plant and equipment	0.6	0.6	0.6	1.4	1.4	1.4
Financial assets	0.2	0.2	0.1	0.5	0.5	0.5
FIXED ASSETS	120.3	115.0	52.6	76.5	76.5	76.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	1.6	0.5	0.2	4.0	6.2	7.3
Other assets and short-term financial assets	46.8	6.5	3.6	1.8	1.0	1.1
Liquid assets	8.6	3.1	4.5	10.5	2.8	4.1
Deferred taxes	0.0	0.0	0.0	1.6	0.6	0.6
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	23.5	14.4	16.8
TOTAL ASSETS	177.4	125.1	60.9	100.0	90.8	93.2
SHAREHOLDERS EQUITY	164.1	111.5	50.9	89.6	79.9	81.9
MINORITY INTEREST	-1.0	-1.0	-1.5	-1.3	-1.3	-1.3
Long-term liabilities to banks	0.0	0.0	0.0	1.8	1.8	1.8
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	3.1	3.1	3.1
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	0.0	0.0	0.0
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	2.5	2.5	2.5
Accounts payable	4.2	6.0	2.0	2.5	3.3	3.8
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	0.9	0.8	0.8
Deferred taxes	0.0	0.0	0.0	0.1	0.0	0.0
Deferred income	0.0	0.0	0.0	0.7	0.7	0.7
CURRENT LIABILITIES	13.8	12.6	7.2	6.8	7.4	7.8
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	177.4	125.1	60.9	100.0	90.8	93.2
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	67.4%	91.3%	85.2%	74.6%	82.1%	80.0%
Property, plant and equipment	0.3%	0.5%	0.9%	1.4%	1.5%	1.5%
Financial assets	0.1%	0.1%	0.2%	0.5%	0.6%	0.6%
FIXED ASSETS	67.8%	91.9%	86.4%	76.5%	84.2%	82.0%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.9%	0.4%	0.3%	4.0%	6.9%	7.9%
Other assets and short-term financial assets	26.4%	5.2%	6.0%	1.8%	1.1%	1.2%
Liquid assets	4.8%	2.5%	7.4%	10.5%	3.1%	4.3%
Deferred taxes	0.0%	0.0%	0.0%	1.6%	0.7%	0.6%
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%	23.5%	15.8%	18.0%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	92.5%	89.1%	83.7%	89.7%	88.0%	87.8%
MINORITY INTEREST	-0.6%	-0.8%	-2.4%	-1.3%	-1.5%	-1.4%
Long-term liabilities to banks	0.0%	0.0%	0.0%	1.8%	1.9%	1.9%
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%	3.1%	3.5%	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	0.2%	1.7%	1.4%	0.0%	0.0%	0.0%
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%	2.5%	2.8%	2.7%
Accounts payable	2.4%	4.8%	3.2%	2.5%	3.7%	4.1%
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%	0.9%	0.9%	0.8%
Deferred taxes	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Deferred income	0.0%	0.0%	0.0%	0.7%	0.8%	0.8%
CURRENT LIABILITIES	7.8%	10.1%	11.8%	6.8%	8.1%	8.3%
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	-7.3	-2.5	2.0
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	0.6	-3.8	-0.1
Cash flow from operating activities	-18.2	-37.6	-66.9	-10.0	-7.7	1.2
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	-3.8	-2.3	-1.1
Increase/decrease in accounts payable	2.6	5.1	-11.4	0.5	0.8	0.5
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	-3.3	-1.4	-0.6
Cash flow from operating activities	-12.9	-14.5	-0.9	-0.1	3.2	13.0
CAPEX	14.4	18.1	3.3	4.0	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	5.0	0.0	0.0
Cash flow from investing activities	-41.6	9.2	-3.4	0.5	-10.8	-11.7
Cash flow before financing	-54.5	-5.4	-4.3	0.4	-7.7	1.2
Increase/decrease in debt position	4.4	-0.1	6.5	-3.2	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	8.7	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	5.5	0.0	0.0
Increase/decrease in liquid assets	3.4	-5.5	1.4	6.0	-7.7	1.2
Liquid assets at end of period	8.6	3.1	4.5	10.5	2.8	4.1

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	117.1%	8.9%	-31.0%	70.0%	29.9%	17.3%
EBITDA growth	-54.2%	-405.3%	-301.0%	-143.3%	50.9%	217.0%
EBIT growth	-21.6%	-4021.0%	503.2%	-89.2%	-103.3%	-278.3%
EPS growth	-23.4%	5689.9%	392.8%	-96.2%	-99.1%	-127.8%
Efficiency						
Sales per employee	455.8	412.9	295.4	484.1	749.5	898.3
EBITDA per employee	-36.2	-98.4	62.8	42.6	108.9	164.5
No. employees (average)	116	140	134	140	117	114
Balance sheet analysis						
Avg. working capital / sales	-1.9%	-4.3%	-5.7%	1.2%	2.7%	7.0%
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	-4.1	-7.7	1.2
Free cash flow/sales	-51.7%	-56.6%	-10.6%	-6.0%	-8.7%	1.2%
FCF / net profit	254.3%	87.7%	6.9%	55.3%	311.1%	62.3%
Capex / sales	78.6%	-15.7%	8.5%	5.9%	12.4%	11.4%
Solvency						
Net debt	-7.6	-3.1	-1.1	-3.1	4.6	3.4
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.4	0.2
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%	46.4%	82.6%	70.6%
Returns						
ROCE	-7.0%	-31.9%	-52.7%	-3.8%	2.7%	7.8%
ROE	-6.2%	-39.6%	-119.6%	-8.2%	-3.0%	2.5%
Adjusted FCF yield	-22.4%	-87.2%	-130.4%	-2.1%	1.0%	3.6%
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	-0.03	-0.01	0.01
Average number of shares	44.2	54.0	54.0	232.8	232.8	232.8
Valuation ratios						
P/BV	0.3	0.4	0.9	2.2	2.4	2.4
EV/sales	0.7	0.7	1.1	2.9	2.3	1.9
EV/EBITDA	-9.0	-3.1	5.2	32.4	15.7	10.6
EV/EBIT	-4.0	-1.1	-0.8	-48.2	104.8	27.9

Source: Company data, NuWays

Disclosures

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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	20.09.2024	Jarchow, Frederik	Buy	EUR 1.40	EUR 1.07
	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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