

## Trade Republic's valuation cut, but still an arbitrage opportunity

Trade Republic (still) at a discount - 13/03/2023

### Change in Opinion

Add vs Buy

Our recommendation changes due to an adjustment to our Trade Republic valuation.

Overall, we maintain our positive stance on sino AG based on the dividend yield (€2.8 DPS implying an 8.75% yield at today's share price). Our valuation of Trade Republic is now €3.65bn (or €84m considering sino AG's 2.3% stake).

### Change in EPS

2022 : € 0.41 vs 10.6	-96.2%
2023 : € -0.45 vs 0.16	ns

Our EPS is reduced for FY 23 as we integrate the costs of the migration of customer assets to Baader Bank.

Our FY 22/23 net profit of c.€-1m is in line with the firm's guidance of €-0.2k to €-1.2m after tax.

Our FY 21/22 EPS is slashed as we assume the sale of Trade Republic shares, reducing the stake from 2.7% to 2.3%. However, the 2.3% stake in Trade Republic actually represents a fully diluted share in the firm.

### Change in NAV

€ 46.5 vs 55.6	-16.5%
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Our NAV resets materially lower as we have reduced the valuation of Trade Republic from €4.5bn to €3.65bn:

We had been using the sector's FY 22 P/sales multiple (c.6.2x) applied to Trade Republic's FY 25e revenues. We now use the sector's FY 25 P/Sales multiple (c.5x) applied to Trade Republic's FY 25e revenues of c.€730m, yielding a valuation of €3.65bn versus €3.9bn previously, despite accounting for interest income revenues.

In fact, we expect Trade Republic to collect €27.7bn of assets under custody from customers and assume a generous 80/20 invested-cash deposit ratio. Hence, we believe that Trade Republic will collect interest income of c.3.5% over c.€5.5bn (c.€194m) and pay out 2% (c.€111m), which brings in an additional €83m in revenues in FY 25 (we had been assuming €647m of revenues before interest income).

### Change in DCF

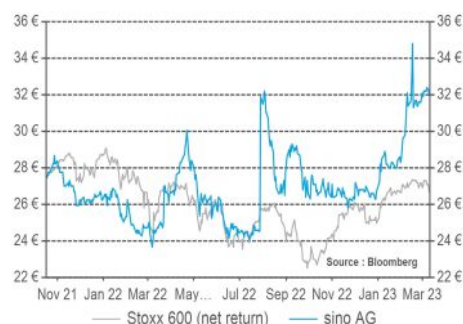
€ 39.2 vs 53.9	-27.2%
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Our DCF is materially reduced due to the negative impact from the valuation of Trade Republic which has been revised downwards as well as the reduction in commission income for FY 22/23.

### Add

Upside : 22.8%

Target Price (6 months)	€ 39.3
Share Price	€ 32.0
Market Cap. €M	74.8
Price Momentum	<b>STRONG</b>
Extremes 12Months	24.1 ▶ 34.8
Fundamental Strength	0 /10
Bloomberg	XTP GY Equity
Reuters	XTPG.D


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PERF	1w	1m	3m	12m
sino AG	-0.62%	1.91%	19.4%	30.2%
Other Financials	-3.77%	-3.69%	0.53%	4.70%
SXXR Index	-2.19%	-0.98%	3.71%	8.98%

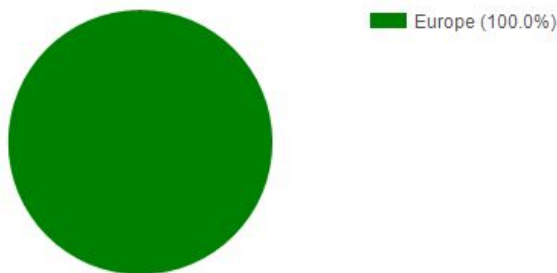
Sector Opinion	<b>Overweight</b>
Strongest upside	AURELIUS
Worst potential	EdenRed

[Complete Sector Analysis](#)

Last updated: 13/03/2023	09/21A	09/22E	09/23E	09/24E
Adjusted P/E (x)	0.46	185	ns	ns
Dividend yield (%)	204	3.72	1.56	0.31
EV/EBITDA(R) (x)	-84.5	ns	20.6	-81.2
Adjusted EPS (€)	59.6	0.41	-0.45	0.04
Growth in EPS (%)	904	-99.3	n/a	n/a
Dividend (€)	56.0	2.80	0.50	0.10
Sales (€M)	11.1	7.95	4.99	6.62
EBIT margin (%)	-20.2	10.00	-28.1	4.79
Attributable net profit (€M)	139	0.95	-1.05	0.09
ROE (after tax) (%)	169	1.16	-8.67	0.96
Gearing (%)	-44.0	-461	-61.5	-11.7

[Company Valuation](#) - [Company Financials](#)

## Sales by Geography



## Consolidated P&amp;L Accounts

		09/21A	09/22E	09/23E
Sales	€M	11.1	7.95	4.99
Change in sales	%	30.3	-28.2	-37.3
Change in staff costs	%	25.2	-6.85	5.00
EBITDA	€M	2.59	0.66	-0.80
<b>EBITDA(R) margin</b>	<b>%</b>	<b>23.3</b>	<b>8.26</b>	<b>-16.1</b>
Depreciation	€M	-0.07	-0.06	-0.04
Underlying operating profit	€M	2.34	0.43	-0.94
<b>Operating profit (EBIT)</b>	<b>€M</b>	<b>-2.24</b>	<b>0.79</b>	<b>-1.40</b>
Net financial expense	€M	0.00	0.01	0.00
of which related to pensions	€M	0.00	0.00	0.00
Exceptional items & other	€M	131	0.00	0.00
Corporate tax	€M	-3.59	-0.38	0.24
Equity associates	€M	14.3	0.52	0.10
Minority interests	€M	0.00	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€M</b>	<b>139</b>	<b>0.95</b>	<b>-1.05</b>
NOPAT	€M	12.2	0.83	-1.21

## Cashflow Statement

EBITDA	€M	2.59	0.66	-0.80
Change in WCR	€M	-2.89	0.00	0.00
Actual div. received from equity holdi...	€M	0.00	0.00	0.00
Paid taxes	€M	-34.3	-0.38	0.24
Exceptional items	€M			
Other operating cash flows	€M	-8.48	9.29	-0.25
Total operating cash flows	€M	-43.1	9.57	-0.81
Capital expenditure	€M	-0.36	-0.24	-0.09
Total investment flows	€M	149	-0.24	-0.09
Net interest expense	€M	0.00	0.01	0.00
Dividends (parent company)	€M	-6.83	-131	-6.55
Dividends to minorities interests	€M	0.00	0.00	0.00
New shareholders' equity	€M	0.00	0.00	0.00
Total financial flows	€M	-6.83	-131	-6.55
Change in cash position	€M	98.9	-122	-7.45
<b>Free cash flow (pre div.)</b>	<b>€M</b>	<b>-43.4</b>	<b>9.35</b>	<b>-0.90</b>

## Per Share Data

No. of shares net of treas. stock (year...	Mio	2.34	2.34	2.34
Number of diluted shares (average)	Mio	2.34	2.34	2.34
<b>Benchmark EPS</b>	<b>€</b>	<b>59.6</b>	<b>0.41</b>	<b>-0.45</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>56.0</b>	<b>2.80</b>	<b>0.50</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 39.2	40%	● Swissquote Group ...
NAV/SOTP per share	€ 46.5	40%	
P/E	€ 16.0	5%	
EV/Ebitda	€ 37.8	5%	
P/Book	€ 16.0	5%	
Dividend Yield	€ 30.4	5%	
TARGET PRICE	€ 39.3	100%	

## NAV/SOTP Calculation

## Balance Sheet

		09/21A	09/22E	09/23E
Goodwill	€M			
Total intangible	€M	0.28	0.27	0.27
Tangible fixed assets	€M	0.36	0.34	0.34
Financial fixed assets	€M	0.00	0.00	0.00
WCR	€M	3.71	3.71	3.71
Other assets	€M	12.2	2.06	6.42
Total assets (net of short term liab.)	€M	22.2	9.96	14.3
<b>Ordinary shareholders' equity</b>	<b>€M</b>	<b>149</b>	<b>15.2</b>	<b>9.08</b>
Quasi Equity & Preferred	€M			
Minority interests	€M			
Provisions for pensions	€M		0.00	0.00
Other provisions for risks and liabilities	€M	4.25	4.04	7.08
Total provisions for risks and liabilities	€M	4.25	4.04	7.08
Tax liabilities	€M			
Other liabilities	€M	0.03	0.03	0.03
<b>Net debt (cash)</b>	<b>€M</b>	<b>-131</b>	<b>-9.31</b>	<b>-1.87</b>
Total liab. and shareholders' equity	€M	22.2	9.96	14.3

## Capital Employed

Capital employed after depreciation	€M	4.35	4.32	4.32
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## Profits &amp; Risks Ratios

<b>ROE (after tax)</b>	<b>%</b>	<b>169</b>	<b>1.16</b>	<b>-8.67</b>
ROCE	%	281	19.3	-28.1
<b>Gearing (at book value)</b>	<b>%</b>	<b>-44.0</b>	<b>-461</b>	<b>-61.5</b>
Adj. Net debt/EBITDA(R)	x	-50.7	-14.2	2.32
Interest cover (x)	x	-516	-43.6	206

## Valuation Ratios

<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>0.46</b>	<b>185</b>	<b>ns</b>
Free cash flow yield	%	-67.7	5.31	-1.20
P/Book	x	0.43	11.6	8.23
<b>Dividend yield</b>	<b>%</b>	<b>204</b>	<b>3.72</b>	<b>1.56</b>

## EV Calculation

Market cap	€M	64.2	176	74.8
+ Provisions	€M	4.25	4.04	7.08
+ Unrecognised actuarial losses/(gains)	€M	0.00	0.00	0.00
+ Net debt at year end	€M	-131	-9.31	-1.87
+ Leases debt equivalent	€M	0.00	0.00	0.00
- Financial fixed assets (fair value)	€M	156	96.6	96.6
+ Minority interests (fair value)	€M			
= EV	€M	-219	74.2	-16.6
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-84.5</b>	<b>ns</b>	<b>20.6</b>
EV/Sales	x	-19.7	9.33	-3.33

Analyst : Grégoire Hermann, Changes to Forecasts : 13/03/2023.

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