

sino AG

Trading platforms / Germany

Still some easy money at hand

Earnings/sales releases - 13/03/2023

sino AG provided a Q1 22/23 update in which it confirmed an operating loss given the continued migration of its customers' assets to Baader Bank. The number of accounts in the core business is stabilising but the essential investment case, which lies in Trade Republic, still points to upside, despite our cut in Trade Republic's valuation.

■ Fact

FY 21/22 approved earnings after tax release

- Earnings after tax of €952k
- Dividend proposal of €2.8 per share (implying a c.8.7% yield)
- Group earnings forecast FY 22/23 from €-0.2m to €-1.2m
- Contract of Chairman of the Management Board Ingo Hillen (also CEO) extended to September 2026 (originally until September 2024)

Q1 22/23 preliminary results

- Operating result of €-441k
- Expects "significant increase in the number of customers and trades"
- Confirmation of group earnings forecast FY 22/23 from €-0.2m to €-1.2m

■ Analysis

A juicy yield

sino's management will propose a dividend of €2.8 per share (implying a c.8.7% yield). We believe that this yield represents an interesting opportunity for investors. In fact, despite tumbling operations in the core business, sino AG is able to distribute a dividend to its shareholders thanks to the remaining cash proceeds from the previous disposals of Trade Republic shares.

This is a material pillar in the firm's investment case, especially considering that it still holds c.2.3% of Trade Republic (which we value at c.€3.65bn).

This yield comes despite sino's core business customer base shrinking to 256 accounts as of February 2023, coupled with volumes normalising and in a tough context for financial markets (higher interest rates negatively impacting equities and the Russia-Ukraine war).

As a result, thanks to its various holdings, sino AG offers a resilient yield to investors despite the tumultuous environment.

FY 22/23 as a transition in the group's history

The firm's press release gave an indication of profitability for FY 22/23. As the firm has completed the migration of its customer base to Baader Bank, the volumes traded have decreased (coupled with further customer losses) and one-off migration costs have been incurred. As such, the firm expects a loss from €0.2m to

€1.2m for the year 2022/23. We expect c.€-1m.

As labelled by the firm, this is a transitional year which should lead to an improvement in sino's core business services and product offering to its customers. We believe that the partnership with Baader Bank will unlock many

Baader Europe

Add	Upside: 22.8%
Target Price (6 months)	€ 39.3
Share Price	€ 32.0
Market Cap. €M	74.8
Price Momentum	STRONG
Extremes 12Months	24.1 ▶ 34.8
Sustainability score	2.7 /10
Credit Risk	C →
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%
STOXX 600	-2.26%	-1.24%	3.33%	6.24%

Sector Opinion	Overweight
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

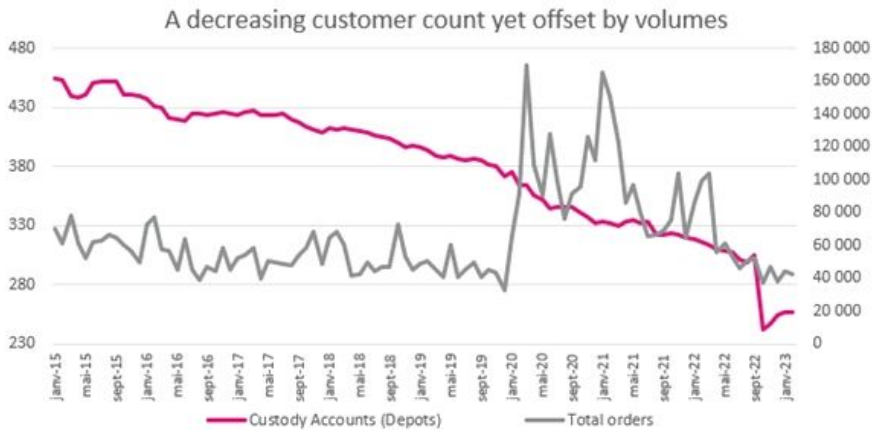
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possibilities, such as the signature of Middle Eastern customers and, possibly, the enabling of crypto currency trading.

Our investment case is confirmed... despite a cut to our Trade

Republic valuation

Overall, our investment case is confirmed. While we had been concerned about the number of customer accounts decreasing at the beginning of 2022/23, we saw a ramp-up in November and December 2022 and the number of accounts now seems to be stabilising.



The March 2023 monthly update on the trade numbers and customer accounts will be highly scrutinised in order to confirm a sustainable recovery in customer accounts, while volumes are lower yoy but also seem to be stabilising.

On top of a potential recovery, Trade Republic has recently announced 2% interest income on current accounts (after collecting c.3-3.4%), which should bring further traction to the firm to increase its customer base.

Obviously, assuming no liquidity event with Trade Republic shares, we would expect a lower dividend for FY 22/23 (c.€0.5 per share, to be paid in FY 23/24), however, the FY 23/24 dividend could be a completely different story, should Trade Republic continue its growth story and launch into another round of fund-raising or an IPO.

In both cases, sino AG's shares continue to offer a discounted way into Trade Republic as well as an attractive yield – and this despite the cut in Trade Republic's valuation.

In fact, our previous valuation of Trade Republic had been €4.5bn (on the back of a sector decrease of c.10% since the last fund-raising at a €5bn valuation).

As the sector matures, we are adapting our valuation methodology. As a backbone for the valuation, we use the alternative method we provided in sino AG's investment case (Trade Republic's estimated FY 25 revenues multiplied by the sector's average P/sales multiple).

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 and derive a valuation of €3.65bn, down from €3.9bn previously, despite accounting for

interest income revenues.

In fact, we expect Trade Republic to collect €27bn of assets under custody from customers and assume a generous 80/20 invested-cash deposit ratio. Hence, we expect Trade Republic to 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 of revenues in FY 25 (we had been assuming €647m of revenues before interest income).

sino AG still holds 2.3% of Trade Republic, which represents €84m, offering a premium vs. the current market cap of €75.2m

Below is a sensitivity analysis embedding the average asset per account and the share of asset in cash (not invested). Our scenario assumes c.7.3k of asset per account (growing at a 5% CAGR from FY 21 to FY 25) and 20% of assets in cash.

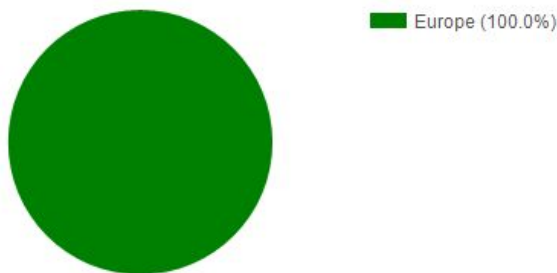
		Average asset per account							
		3 653,3	3 000	4 000	5 000	7 293	10 000	20 000	30 000
Share of deposit	5,00%	3 280,5	3 294,8	3 309,0	3 341,7	3 380,2	3 522,7	3 665,1	
	10,00%	3 323,3	3 351,8	3 380,2	3 445,6	3 522,7	3 807,5	4 092,4	
	15,00%	3 366,0	3 408,7	3 451,5	3 549,4	3 665,1	4 092,4	4 519,7	
	20,00%	3 408,7	3 465,7	3 522,7	3 653,3	3 807,5	4 377,3	4 947,0	
	25,00%	3 451,5	3 522,7	3 593,9	3 757,2	3 950,0	4 662,2	5 374,3	
	30,00%	3 494,2	3 579,7	3 665,1	3 861,1	4 092,4	4 947,0	5 801,6	
	35,00%	3 536,9	3 636,6	3 736,3	3 965,0	4 234,8	5 231,9	6 228,9	

■ Impact

As a result of the reduction in our Trade Republic valuation, our recommendation changes

from Buy to Add. However, sino AG still offers an arbitrage opportunity given not only its stake in Trade Republic but also an attractive yield.

Sales by Geography



Consolidated P&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
EBITDA(R) margin	%	23.3	8.26	-16.1
Depreciation	€M	-0.07	-0.06	-0.04
Underlying operating profit	€M	2.34	0.43	-0.94
Operating profit (EBIT)	€M	-2.24	0.79	-1.40
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
Adjusted attributable net profit	€M	139	0.95	-1.05
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
Free cash flow (pre div.)	€M	-43.4	9.35	-0.90

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
Benchmark EPS	€	59.6	0.41	-0.45
Restated NAV per share	€			
Net dividend per share	€	56.0	2.80	0.50

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
Ordinary shareholders' equity	€M	149	15.2	9.08
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
Net debt (cash)	€M	-131	-9.31	-1.87
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 & Risks Ratios

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

Valuation Ratios

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

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
EV/EBITDA(R)	x	-84.5	ns	20.6
EV/Sales	x	-19.7	9.33	-3.33

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

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