

123fahrschule SE

Technology - Germany



Buy (old: Buy)

07.11.2024

EUR 7.20 (old: EUR 7.20)

Improved profitability and strong CFO in Q3

123f published a strong set of preliminary Q3 results, showing continuous top-line growth as well as improved profitability. **Q3 preliminary sales increased by 11% to € 5.7m** (eNuW: € 5.6m), which should have been predominantly driven by the Private Customer segment (eNuW: € 4.5m). Moreover, the Driving Instructor Training segment should have continued to grow strongly to € 0.7m (eNuW: +50% yoy). On the other hand, the Professional Driver Education segment is seen to have declined again in Q3 (eNuW: € 0.5m; -18% yoy).

Against this backdrop, **Q3 adj. EBITDA significantly increased yoy to € 0.2m** (flat in Q3 '23), clearly demonstrating efficiency gains as well as operating leverage. Mind you, 123f imposed some accounting changes in the beginning of the year concerning build up of provisions, which is now made throughout the year instead of only once in December. Unadjusted EBITDA came in at € 0.1m.

The clear highlight of the release, however, was the **improved operating cash flow, which came in at € 0.6m**, showing a further sequential improvement compared to the first two quarters (H1 CFO: € 0.9m). With a CFO in 9M '24 of € 1.5m, 123f already achieved 4x the amount of the entire FY '23 (€ 0.4m). Yet, FCF should still have been slightly negative following the ongoing investments into the company's proprietary software solutions.

Strategy 2027. In early November, management passed the new Strategy 2027 in reaction to the announced legislative changes, which are likely coming into effect in Q1 2026. Next to the obvious scale advantages of the return of online theory, 123f is going to focus on the practical training, which is going to receive a "digitalization boost" going forward driven by the comprehensive roll-out and further software development of the "digital driving instructor" in the simulator. According to CEO Polenske, this will enable 123f to reduce the price of a driver's license by up to € 1,000, which should translate into massive market share gains in the company's target regions. Thanks to the higher margin digital solutions and an expected reduction in vehicles and instructors, this should further allow for improving profitability.

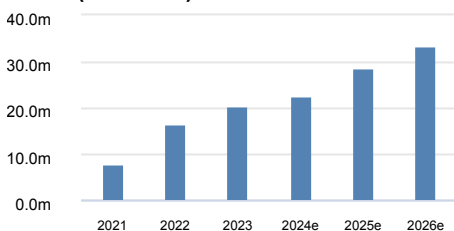
Regarding the necessary financing of these projects as well as the roll-out of simulators, management is currently considering raising further capital, i.e. in the way of a convertible with a volume of € 4-5m.

Reiterate **BUY with an unchanged PT of € 7.20** based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	7.8	16.7	20.6	22.7	28.5	33.4
Sales growth	81.8%	114.8%	23.7%	10.3%	25.5%	16.9%
EBITDA	-3.8	-2.7	-0.9	0.4	2.5	4.1
Net debt (if net cash=0)	-2.5	1.8	1.7	1.2	-0.2	-2.7
FCF	-9.1	-8.3	-3.5	0.5	1.3	2.5
Net Debt/EBITDA	0.0	-0.7	-1.9	3.2	0.0	0.0
EPS pro forma	-1.85	-1.40	-0.79	-0.36	-0.10	0.10
EBITDA margin	-48.9%	-16.0%	-4.3%	1.6%	8.7%	12.2%
ROCE	-43.7%	-31.1%	-22.2%	-12.5%	-3.3%	3.8%
EV/sales	0.6	0.7	0.8	0.8	0.6	0.4
EV/EBITDA	-1.3	-4.4	-19.5	48.3	6.4	3.3
PER	-1.7	-2.3	-4.1	-8.8	-30.6	31.0
Adjusted FCF yield	-41.7%	-10.8%	-6.0%	0.3%	9.2%	18.6%

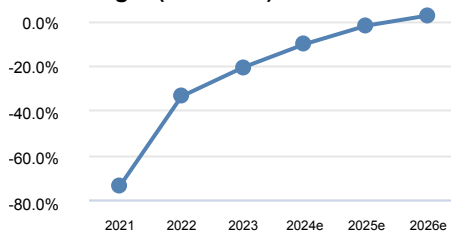
Source: Company data, NuWays, Close price as of 04.11.2024

Sales (2021-26e)



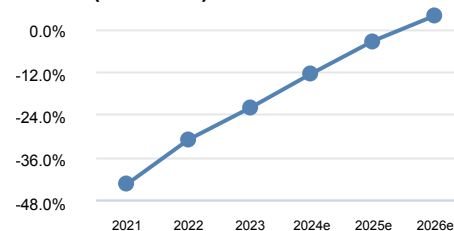
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

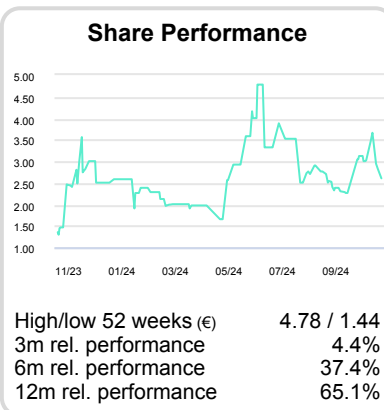
ROCE (2021-26e)



Source: NuWays Research

Company description

With more than 60 locations, 123fahrschule is the largest player in the German driving school industry. With its proprietary software suite, the company is disrupting a largely analogue industry by offering students a superior experience.



Market data

Share price (in €)	2.60
Market cap (in € m)	16.2
Number of shares (in m pcs)	5.1
Enterprise value (in € m)	17.4
Ø trading volume (6 months)	950

Identifier

Bloomberg	123F GR
Reuters	123F.DE
WKN	A2P4HL
ISIN	DE000A2P4HL9

Key shareholders

venturecapital.de	13.8%
Delphi	12.8%
Media Ventures	7.1%
KlickVentures	7.0%
BSW	5.6%
Free Float	53.7%

Estimates changes

	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Guidance

- EBITDA: clearly positive

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	7.8	16.7	20.6	22.7	28.5	33.4
<i>Sales growth</i>	81.8%	114.8%	23.7%	10.3%	25.5%	16.9%
Increase/decrease in finished goods and work-in-process	0.0	0.1	0.3	0.2	0.2	0.3
Total sales	7.8	16.8	20.9	22.9	28.8	33.7
Other operating income	0.3	1.1	0.9	1.0	0.3	0.3
Material expenses	0.0	0.0	0.0	0.0	0.0	0.0
Personnel expenses	6.2	12.1	13.7	14.2	16.5	19.1
Other operating expenses	5.6	8.4	9.0	9.3	10.0	10.8
Total operating expenses	11.6	19.5	21.8	22.6	26.3	29.6
EBITDA	-3.8	-2.7	-0.9	0.4	2.5	4.1
Depreciation	0.1	0.0	1.8	0.9	0.9	0.9
EBITA	-3.9	-2.7	-2.7	-0.5	1.6	3.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.8	3.0	1.6	1.9	2.2	2.4
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-5.7	-5.6	-4.3	-2.4	-0.6	0.8
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.0	0.0	0.0	0.1	0.1	0.1
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.0	-0.0	-0.0	-0.1	-0.1	-0.1
Recurring pretax income from continuing operations	-5.7	-5.6	-4.4	-2.5	-0.7	0.7
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-5.7	-5.6	-4.4	-2.5	-0.7	0.7
Income tax expense	-1.3	-1.4	-0.5	-0.6	-0.2	0.2
Net income from continuing operations	-4.5	-4.4	-3.8	-1.8	-0.5	0.5
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-4.5	-4.4	-3.9	-1.8	-0.5	0.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-4.5	-4.4	-3.9	-1.8	-0.5	0.5
Average number of shares	2.4	3.1	4.9	5.1	5.1	5.1
EPS reported	-1.85	-1.40	-0.80	-0.36	-0.10	0.10

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	81.8%	114.8%	23.7%	10.3%	25.5%	16.9%
Increase/decrease in finished goods and work-in-process	0.0%	0.9%	1.4%	0.9%	0.9%	0.9%
Total sales	100.0%	100.9%	101.4%	100.9%	100.9%	100.9%
Other operating income	4.4%	6.5%	4.3%	4.3%	1.0%	1.0%
Material expenses	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Personnel expenses	80.5%	72.8%	66.3%	62.6%	58.0%	57.2%
Other operating expenses	72.7%	50.4%	43.8%	41.0%	35.2%	32.4%
Total operating expenses	148.9%	116.9%	105.7%	99.3%	92.1%	88.6%
EBITDA	-48.9%	-16.0%	-4.3%	1.6%	8.7%	12.2%
Depreciation	1.9%	0.0%	8.8%	3.8%	3.1%	2.7%
EBITA	-50.7%	-16.0%	-13.1%	-2.2%	5.6%	9.5%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	23.2%	17.8%	7.8%	8.3%	7.9%	7.2%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-73.9%	-33.8%	-20.9%	-10.5%	-2.2%	2.3%
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	0.1%	0.0%	0.2%	0.3%	0.3%	0.2%
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	-74.1%	-33.9%	-21.1%	-10.8%	-2.5%	2.1%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-74.1%	-33.9%	-21.1%	-10.8%	-2.5%	2.1%
Tax rate	22.5%	24.0%	12.0%	25.0%	25.0%	25.0%
Net income from continuing operations	-57.8%	-26.1%	-18.6%	-8.1%	-1.9%	1.6%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-57.8%	-26.1%	-19.0%	-8.1%	-1.9%	1.6%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net profit (reported)	-57.8%	-26.1%	-19.0%	-8.1%	-1.9%	1.6%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	9.2	10.9	11.3	10.6	9.7	9.0
Property, plant and equipment	1.5	4.5	4.3	4.4	4.5	4.6
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
FIXED ASSETS	10.8	15.4	15.6	14.9	14.2	13.6
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.5	3.5	3.0	3.1	3.5	3.7
Other assets and short-term financial assets	1.8	2.3	3.0	3.0	3.0	3.0
Liquid assets	3.2	0.3	0.7	1.3	2.6	5.1
Deferred taxes	1.6	3.0	3.5	3.5	3.5	3.5
Deferred charges and prepaid expenses	0.0	0.2	0.4	0.4	0.4	0.4
CURRENT ASSETS	7.1	9.4	10.7	11.4	13.1	15.8
TOTAL ASSETS	17.9	24.8	26.3	26.3	27.3	29.3

SHAREHOLDERS EQUITY	15.8	16.8	16.4	15.7	16.2	17.9
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities to banks	0.0	2.2	2.4	2.4	2.4	2.4
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	0.6	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	0.3	0.4	0.5	0.6	0.8	0.9
NON-CURRENT LIABILITIES	0.9	2.6	2.9	3.0	3.2	3.3
Short-term liabilities to banks	0.1	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.1	1.1	0.6	1.2	1.6	1.8
Advance payments received on orders	1.0	1.3	2.1	2.1	2.1	2.1
Accrued taxes	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.0	2.0	3.3	3.3	3.3	3.3
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.9	0.8	0.8	0.8	0.8
CURRENT LIABILITIES	1.2	5.3	7.0	7.6	7.9	8.2
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	17.9	24.8	26.3	26.3	27.3	29.3

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	51.5%	44.1%	43.0%	40.2%	35.7%	30.7%
Property, plant and equipment	8.6%	18.0%	16.4%	16.6%	16.4%	15.5%
Financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	60.2%	62.1%	59.3%	56.8%	52.0%	46.3%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	3.0%	14.3%	11.4%	11.9%	12.9%	12.5%
Other assets and short-term financial assets	9.8%	9.5%	11.4%	11.5%	11.0%	10.3%
Liquid assets	17.7%	1.4%	2.8%	4.9%	9.6%	17.5%
Deferred taxes	9.1%	12.1%	13.4%	13.4%	12.9%	12.0%
Deferred charges and prepaid expenses	0.2%	0.7%	1.6%	1.6%	1.6%	1.5%
CURRENT ASSETS	39.8%	37.9%	40.7%	43.2%	48.0%	53.7%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	88.2%	68.0%	62.4%	59.6%	59.4%	60.9%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term liabilities to banks	0.0%	8.7%	9.3%	9.3%	8.9%	8.3%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	1.7%	1.8%	1.8%	2.3%	2.8%	3.0%
NON-CURRENT LIABILITIES	5.1%	10.5%	11.1%	11.6%	11.7%	11.3%
Short-term liabilities to banks	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	0.8%	4.5%	2.5%	4.7%	5.7%	6.2%
Advance payments received on orders	5.5%	5.2%	8.0%	8.1%	7.7%	7.2%
Accrued taxes	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Other liabilities (incl. from lease and rental contracts)	0.0%	8.0%	12.7%	12.7%	12.2%	11.4%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income	0.0%	3.6%	3.2%	3.2%	3.1%	2.9%
CURRENT LIABILITIES	6.7%	21.5%	26.5%	28.8%	28.9%	27.8%
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	-4.5	-4.4	-3.9	-1.8	-0.5	0.5
Depreciation of fixed assets (incl. leases)	0.1	0.0	1.8	0.9	0.9	0.9
Amortisation of goodwill & intangible assets	1.8	3.0	1.6	1.9	2.2	2.4
Other costs affecting income / expenses	-1.3	-1.4	-0.3	0.0	0.0	0.0
Cash flow from operating activities	-7.0	-2.8	-0.4	1.7	2.8	4.2
Increase/decrease in inventory	0.1	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-1.3	-3.7	-0.4	-0.1	-0.4	-0.1
Increase/decrease in accounts payable	-1.8	3.6	1.6	0.6	0.3	0.3
Increase/decrease in other working capital positions	-0.1	-0.1	0.0	1.1	1.1	1.1
Increase/decrease in working capital	-3.1	-0.2	1.2	1.6	1.0	1.2
Cash flow from operating activities	-7.0	-2.8	0.4	2.6	3.8	5.2
CAPEX	2.2	5.5	3.9	2.0	2.4	2.7
Payments for acquisitions	0.2	2.3	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.2	0.2	0.0	0.0	0.0
Cash flow from investing activities	-2.3	-7.6	-3.7	-2.0	-2.4	-2.7
Cash flow before financing	-9.3	-10.3	-3.3	0.5	1.3	2.5
Increase/decrease in debt position	0.0	2.1	0.3	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	12.4	5.4	3.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	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	12.4	7.5	3.8	0.0	0.0	0.0
Increase/decrease in liquid assets	3.1	-2.8	0.4	0.5	1.3	2.5
Liquid assets at end of period	3.2	0.3	0.7	1.3	2.6	5.1

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	81.8%	114.8%	23.7%	10.3%	25.5%	16.9%
EBITDA growth	74.7%	-29.6%	-66.8%	-140.6%	591.2%	64.1%
EBIT growth	100.8%	-1.6%	-23.6%	-44.8%	-73.3%	-221.4%
EPS growth	17.4%	-24.4%	-42.8%	-54.8%	-71.2%	-198.6%
Efficiency						
Sales per employee	310.4	476.2	364.8	297.2	326.2	333.7
EBITDA per employee	-151.7	-76.3	-15.7	4.7	28.4	40.8
No. employees (average)	25	35	56	76	88	100
Balance sheet analysis						
Avg. working capital / sales	-15.5%	1.6%	3.3%	-0.1%	-0.7%	-0.7%
Inventory turnover (sales/inventory)	n.a.	n.a.	4.5	5.0	5.5	6.0
Accounts receivable turnover	24.9	77.3	52.9	50.0	45.0	40.0
Accounts payable turnover	6.7	24.5	11.5	20.0	20.0	20.0
Cash flow analysis						
Free cash flow	-9.1	-8.3	-3.5	0.5	1.3	2.5
Free cash flow/sales	-117.7%	-49.6%	-17.2%	2.4%	4.7%	7.6%
FCF / net profit	203.7%	189.8%	90.7%	neg.	neg.	482.7%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	-2.5	1.8	1.7	1.2	-0.2	-2.7
Net Debt/EBITDA	0.0	-0.7	-1.9	3.2	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	1.2%	0.2%	3.0%	3.2%	3.0%	3.0%
Returns						
ROCE	-43.7%	-31.1%	-22.2%	-12.5%	-3.3%	3.8%
ROE	-28.4%	-25.9%	-23.8%	-11.7%	-3.3%	2.9%
Adjusted FCF yield	-41.7%	-10.8%	-6.0%	0.3%	9.2%	18.6%
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	-1.85	-1.40	-0.80	-0.36	-0.10	0.10
Average number of shares	2.4	3.1	4.9	5.1	5.1	5.1
Valuation ratios						
P/BV	0.5	0.6	1.0	1.0	1.0	0.9
EV/sales	0.6	0.7	0.8	0.8	0.6	0.4
EV/EBITDA	-1.3	-4.4	-19.5	48.3	6.4	3.3
EV/EBIT	-0.9	-2.1	-4.0	-7.3	-25.3	17.6

Source: Company data, NuWays

Disclosures

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Company	Disclosures
123fahrschule SE	2

Historical target price and rating changes for 123fahrschule SE

Company	Date	Analyst	Rating	Target Price	Close
123fahrschule SE	04.03.2024	Sennewald, Philipp	Buy	EUR 7.20	EUR 2.12

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