

Buy (old: Buy)

21.11.2024

EUR 76.00 (old: EUR 74.00)

Q3 figures in line with est. // bond issuing announced; chg

Topic: Netfonds reported solid Q3 figures in line with our estimates on both, top- and bottom line. With that, the upper end of the guidance is in reach. Further, Netfonds announced a planned M&A transaction and a planned bond issuing. In detail:

- **Gross sales grew by 16% yoy to € 56.2m**, in line with our estimate of € 56m. Main driver was the strong AuA and AuM development with new record levels of € 27.2bn (+14% YTD; 20% yoy) and € 3.7bn, both above our estimates of € 26.7bn and € 3.5bn (eNuW old). Consequently, we increased our estimates for FY24 of € 27.4bn AuA and € 4.0bn AuM.
- **EBITDA came in above estimates at € 1.9m** (-5% qoq, 46% yoy vs eNuW: € 1.8m), mainly driven by the solid topline growth paired with stable OPEX compared to previous quarters, showing the strong operating leverage of the platform business.

Going forward, we see further sequential growth mainly on the back of the strong AuA growth that should become visible in top- and bottom-line with a slight delay but also driven by value accretive M&A transactions (i.e. MFK and Comfort Finance) as well as the launch of an own money market fund earlier this year with already above € 75m end of Q2. As a result, the confirmed guidance for FY24 of **€ 220-230m in gross sales** and **€ 41.5-43m in net sales** can hence be taken as granted.

Apart from that, Netfonds announced to have signed an LOI subject to the acquisition of another fund initiator. The potential target would add approximately € 100m in volume. The acquisition price is expected to be in the mid-single-digit millions. This acquisition is indicating once again that **Netfonds is playing an active role in the market consolidation**. In order to finance this and further potential transactions, Netfonds plan to issue an unsecured bond with a low- to mid-double-digit million volume.

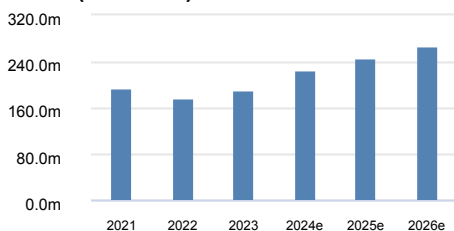
Overall and on the back of 1) the strong operating performance, 2) Netfonds 360° finfire platform being the key mid- to long term growth and scalability driver and 3) further value accretive M&A transactions, we see Netfonds well on track to reach its mid-term target of € 59m net sales (vs eNuW: € 60m) and € 23m EBITDA (vs eNuW: € 21m) by FY26.

BUY with a new **PT of € 76.00**, based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	193.2	176.4	192.9	225.9	247.7	268.2
Sales growth	34.9%	-8.7%	9.3%	17.1%	9.7%	8.3%
EBITDA	15.7	6.5	4.9	8.4	15.2	20.6
Net debt (if net cash=0)	2.0	2.7	6.2	5.3	-1.4	-11.7
FCF	-18.8	1.2	-1.1	3.9	6.7	10.3
Net Debt/EBITDA	0.1	0.4	1.3	0.6	0.0	0.0
EPS pro forma	3.82	0.39	-0.26	1.75	3.75	5.31
EBITDA margin	8.1%	3.7%	2.5%	3.7%	6.1%	7.7%
ROCE	34.3%	7.4%	4.0%	17.8%	35.5%	44.8%
EV/sales	0.5	0.5	0.5	0.4	0.4	0.3
EV/EBITDA	5.8	14.0	20.1	11.7	6.0	3.9
PER	10.4	102.4	-150.9	22.7	10.6	7.5
Adjusted FCF yield	14.1%	2.4%	0.8%	4.8%	11.0%	17.9%

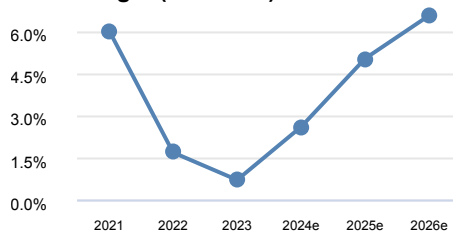
Source: Company data, NuWays, Close price as of 04.11.2024

Sales (2021-26e)



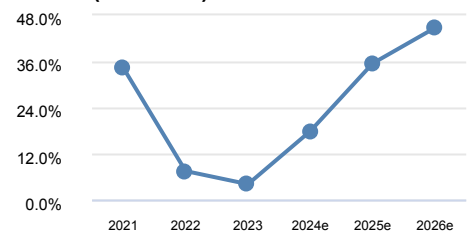
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

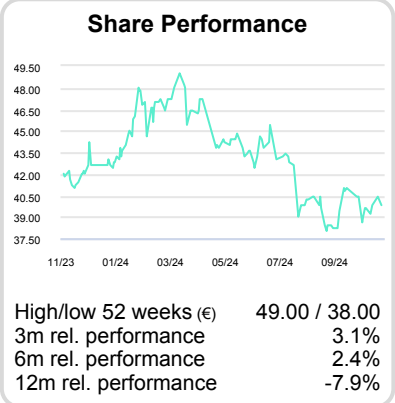
ROCE (2021-26e)



Source: NuWays Research

Company description

Netfonds is the largest bank-independent provider of liability umbrellas in Germany and one of the market leaders among broker pools offering an one-stop shop for advisors, consultants, brokers, banks, asset managers and insurance companies



Market data

Share price (in €)	39.80
Market cap (in € m)	92.7
Number of shares (in m pcs)	2.3
Enterprise value (in € m)	98.0
Ø trading volume (6 months)	342

Identifier

Bloomberg	NF4 GR
Reuters	NF4
WKN	A1MME7
ISIN	DE000A1MME74

Key shareholders

Management, (incl. Supervisory Board and families)	54.0%
Freefloat	46.0%

Estimates changes

	2024e	2025e	2026e
Sales	0%	1%	0%
EBIT	74%	26%	18%
EPS	75%	26%	18%

Comment on changes

- We adjust OPEX and D&A to reflect 9M figures

Guidance

- '24: € 41.5-43m net sales and 20% in EBITDA/net sales"
- '26: €59m net sales, €23m EBITDA

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	193.2	176.4	192.9	225.9	247.7	268.2
<i>Sales growth</i>	34.9%	-8.7%	9.3%	17.1%	9.7%	8.3%
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	193.2	176.4	192.9	225.9	247.7	268.2
Other operating income	10.4	2.4	2.7	2.9	3.2	3.4
Material expenses	154.6	142.8	156.2	185.4	198.1	211.8
Personnel expenses	19.5	19.4	20.9	23.3	24.8	25.5
Other operating expenses	13.9	10.1	13.6	11.7	12.8	13.7
Total operating expenses	177.6	170.0	188.0	217.5	232.5	247.6
EBITDA	15.7	6.5	4.9	8.4	15.2	20.6
Depreciation	4.0	3.5	3.6	2.5	2.7	2.9
EBITA	11.7	3.0	1.4	5.9	12.5	17.6
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	11.7	3.0	1.4	5.9	12.5	17.6
Interest income	0.7	0.3	0.6	0.6	0.7	0.8
Interest expenses	2.6	0.5	0.6	0.7	0.7	0.8
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.9	-0.1	0.1	-0.0	0.0	0.0
Recurring pretax income from continuing operations	9.8	2.8	1.4	5.8	12.5	17.7
Extraordinary income/loss	-0.3	-0.8	-0.7	0.0	0.0	0.0
Earnings before taxes	9.5	2.0	0.7	5.8	12.5	17.7
Income tax expense	0.7	1.1	1.0	1.8	3.7	5.3
Net income from continuing operations	8.8	0.9	-0.3	4.1	8.7	12.4
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	8.8	0.9	-0.3	4.1	8.7	12.4
Minority interest	-0.3	-0.0	-0.3	0.0	0.0	0.0
Net profit (reported)	8.5	0.9	-0.6	4.1	8.7	12.4
Average number of shares	2.2	2.2	2.3	2.3	2.3	2.3
EPS reported	3.82	0.39	-0.26	1.75	3.75	5.31

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>	34.9%	-8.7%	9.3%	17.1%	9.7%	8.3%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	5.4%	1.3%	1.4%	1.3%	1.3%	1.3%
Material expenses	80.0%	80.9%	81.0%	82.1%	80.0%	79.0%
Personnel expenses	10.1%	11.0%	10.8%	10.3%	10.0%	9.5%
Other operating expenses	7.2%	5.7%	7.0%	5.2%	5.1%	5.1%
Total operating expenses	91.9%	96.3%	97.5%	96.3%	93.9%	92.3%
EBITDA	8.1%	3.7%	2.5%	3.7%	6.1%	7.7%
Depreciation	2.1%	2.0%	1.8%	1.1%	1.1%	1.1%
EBITA	6.0%	1.7%	0.7%	2.6%	5.0%	6.6%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	6.0%	1.7%	0.7%	2.6%	5.0%	6.6%
Interest income	0.4%	0.2%	0.3%	0.3%	0.3%	0.3%
Interest expenses	1.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	0.0%	neg.	0.0%	0.0%
Recurring pretax income from continuing operations	5.1%	1.6%	0.7%	2.6%	5.0%	6.6%
Extraordinary income/loss	-0.1%	-0.5%	-0.4%	0.0%	0.0%	0.0%
Earnings before taxes	4.9%	1.1%	0.4%	2.6%	5.0%	6.6%
Tax rate	7.8%	55.7%	137.0%	30.0%	30.0%	30.0%
Net income from continuing operations	4.6%	0.5%	-0.1%	1.8%	3.5%	4.6%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	4.6%	0.5%	-0.1%	1.8%	3.5%	4.6%
Minority interest	-0.2%	-0.0%	-0.2%	0.0%	0.0%	0.0%
Net profit (reported)	4.4%	0.5%	-0.3%	1.8%	3.5%	4.6%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	14.6	11.9	10.9	13.9	13.9	13.9
Property, plant and equipment	0.5	0.4	0.6	0.6	0.6	0.6
Financial assets	10.6	11.2	12.1	12.1	12.1	12.1
FIXED ASSETS	25.7	23.6	23.5	26.5	26.5	26.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	35.5	31.3	38.9	40.0	43.9	47.5
Other assets and short-term financial assets	4.6	2.1	5.1	4.9	4.6	4.4
Liquid assets	4.9	6.4	4.2	5.1	11.8	22.1
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.2	0.2	0.4	0.4	0.4	0.4
CURRENT ASSETS	45.2	40.0	48.8	50.5	60.8	74.5
TOTAL ASSETS	71.0	63.7	72.3	77.0	87.3	101.0

SHAREHOLDERS EQUITY	21.9	22.1	20.7	20.4	24.5	33.2
MINORITY INTEREST	0.2	0.3	0.8	0.8	0.8	0.8
Long-term liabilities to banks	0.5	3.9	5.8	5.8	5.8	5.8
Bonds (long-term)	6.4	5.2	4.6	4.6	4.6	4.6
other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.6	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	4.1	1.1	1.2	1.2	1.2	1.2
NON-CURRENT LIABILITIES	11.6	10.2	11.7	11.7	11.7	11.7
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	28.5	29.1	36.1	41.1	47.3	52.2
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.4	0.2	0.1	0.1	0.1	0.1
Other liabilities (incl. from lease and rental contracts)	8.1	1.1	1.9	2.0	2.0	2.0
Deferred taxes	0.3	0.6	0.9	0.9	0.9	0.9
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	37.2	31.1	39.2	44.1	50.4	55.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	71.0	63.7	72.3	77.0	87.3	101.0

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	20.5%	18.8%	15.0%	18.0%	15.9%	13.7%
Property, plant and equipment	0.7%	0.7%	0.8%	0.7%	0.6%	0.5%
Financial assets	15.0%	17.7%	16.7%	15.7%	13.8%	12.0%
FIXED ASSETS	36.3%	37.1%	32.5%	34.4%	30.3%	26.2%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	50.1%	49.1%	53.9%	52.0%	50.3%	47.1%
Other assets and short-term financial assets	6.4%	3.3%	7.1%	6.3%	5.3%	4.3%
Liquid assets	6.9%	10.1%	5.9%	6.6%	13.5%	21.9%
Deferred taxes	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
Deferred charges and prepaid expenses	0.3%	0.3%	0.6%	0.6%	0.5%	0.4%
CURRENT ASSETS	63.7%	62.9%	67.5%	65.6%	69.7%	73.8%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	30.9%	34.8%	28.6%	26.5%	28.0%	32.9%
MINORITY INTEREST	0.3%	0.5%	1.1%	1.0%	0.9%	0.8%
Long-term liabilities to banks	0.7%	6.1%	8.1%	7.6%	6.7%	5.8%
Bonds (long-term)	9.0%	8.2%	6.3%	5.9%	5.2%	4.5%
other interest-bearing liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	5.8%	1.7%	1.7%	1.6%	1.4%	1.2%
NON-CURRENT LIABILITIES	16.3%	16.0%	16.1%	15.1%	13.3%	11.5%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	40.1%	45.7%	50.0%	53.4%	54.2%	51.7%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.5%	0.4%	0.2%	0.2%	0.2%	0.1%
Other liabilities (incl. from lease and rental contracts)	11.4%	1.8%	2.7%	2.6%	2.3%	2.0%
Deferred taxes	0.4%	0.9%	1.3%	1.2%	1.1%	0.9%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	52.4%	48.8%	54.2%	57.3%	57.7%	54.8%
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	8.7	0.9	-0.3	4.1	8.7	12.4
Depreciation of fixed assets (incl. leases)	4.0	3.5	3.6	2.5	2.7	2.9
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	0.0	0.0	1.0	-2.3	-2.9	-2.5
Cash flow from operating activities	-21.8	-0.4	-2.1	3.9	6.7	10.3
Increase/decrease in inventory	-24.7	1.1	0.1	0.0	0.0	0.0
Increase/decrease in accounts receivable	-1.7	6.8	-11.3	-1.1	-3.9	-3.6
Increase/decrease in accounts payable	-3.7	-4.1	9.9	4.9	6.2	4.9
Increase/decrease in other working capital positions	2.0	-0.0	-0.0	-0.0	-0.0	-0.0
Increase/decrease in working capital	-28.2	3.9	-1.3	3.8	2.3	1.3
Cash flow from operating activities	-17.8	3.1	1.5	6.4	9.4	13.2
CAPEX	1.1	1.9	2.6	2.5	2.7	2.9
Payments for acquisitions	0.0	0.0	0.0	3.0	0.0	0.0
Financial investments	11.4	1.3	1.2	0.0	0.0	0.0
Income from asset disposals	0.2	0.5	0.2	0.0	0.0	0.0
Cash flow from investing activities	-12.2	-2.6	-3.6	-5.5	-2.7	-2.9
Cash flow before financing	-30.4	-0.2	-2.8	0.9	6.7	10.3
Increase/decrease in debt position	24.2	2.2	1.1	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.4	0.6	0.6	0.0	0.0	0.0
Others	-1.3	-0.5	-0.5	0.1	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	22.5	1.1	-0.1	0.1	0.0	0.0
Increase/decrease in liquid assets	-7.5	1.5	-2.2	1.0	6.7	10.3
Liquid assets at end of period	4.8	6.3	4.1	5.1	11.8	22.1

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	34.9%	-8.7%	9.3%	17.1%	9.7%	8.3%
EBITDA growth	436.6%	55.3%	-68.6%	29.0%	209.2%	146.4%
EBIT growth	1698.4%	64.1%	-88.4%	98.0%	824.2%	200.4%
EPS growth	-1693.6%	-5628.8%	-106.9%	351.7%	-1523.6%	202.5%
Efficiency						
Sales per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No. employees (average)	0	0	0	0	0	0
Balance sheet analysis						
Avg. working capital / sales	7.3%	6.1%	2.6%	0.3%	-0.1%	-1.1%
Inventory turnover (sales/inventory)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable turnover	67.1	64.7	64.7	64.7	64.7	64.7
Accounts payable turnover	53.8	60.2	63.2	66.4	69.7	71.1
Cash flow analysis						
Free cash flow	-18.8	1.2	-1.1	3.9	6.7	10.3
Free cash flow/sales	-9.7%	0.7%	-0.6%	1.7%	2.7%	3.8%
FCF / net profit	neg.	137.2%	417.2%	96.1%	76.4%	83.2%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	2.0	2.7	6.2	5.3	-1.4	-11.7
Net Debt/EBITDA	0.1	0.4	1.3	0.6	0.0	0.0
Dividend payout ratio	4.2%	64.3%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	22.4%	2.7%	6.6%	6.9%	7.1%	7.6%
Returns						
ROCE	34.3%	7.4%	4.0%	17.8%	35.5%	44.8%
ROE	38.6%	3.9%	-3.0%	20.0%	35.7%	37.2%
Adjusted FCF yield	14.1%	2.4%	0.8%	4.8%	11.0%	17.9%
Dividend yield	0.4%	0.6%	0.0%	0.0%	0.0%	0.0%
DPS	0.2	0.2	0.0	0.0	0.0	0.0
EPS reported	3.82	0.39	-0.26	1.75	3.75	5.31
Average number of shares	2.2	2.2	2.3	2.3	2.3	2.3
Valuation ratios						
P/BV	4.0	4.0	4.5	4.5	3.8	2.8
EV/sales	0.5	0.5	0.5	0.4	0.4	0.3
EV/EBITDA	5.8	14.0	20.1	11.7	6.0	3.9
EV/EBIT	7.8	30.6	73.2	16.7	7.3	4.6

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
Netfonds AG	2

Historical target price and rating changes for Netfonds AG

Company	Date	Analyst	Rating	Target Price	Close
Netfonds AG	09.07.2024	Jarchow, Frederik	Buy	EUR 74.00	EUR 45.40
	03.06.2024	Jarchow, Frederik	Buy	EUR 73.00	EUR 44.80
	08.03.2024	Jarchow, Frederik	Buy	EUR 73.00	EUR 47.20
	18.01.2024	Jarchow, Frederik	Buy	EUR 71.00	EUR 42.80

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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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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