

wallstreet:online AG

Germany | Media | MCap EUR 348.0m

10 February 2021

UPDATE



Strong environment should support growth; PT up; Remains BUY

What's it all about?

Recent market data on trading volumes and reports from exchanges and peers paint the picture of a strong Q4. This is reflected by high market activity and the momentum is expected to remain high. The recent industry news strengthens our confidence that the company will be able to disproportionately benefit from this stellar growth expectations. wallstreet:online (w:o) is set to leverage on its outstanding positioning fueled by its highly accessible portal business. Going forward, we expect CAGR 19-23E sales growth of more than 64%. Based on our upwards revised estimates (EPS are up 30% for FY21E and 23% for 22E) we increase our PT to EUR 26.00 (old EUR 17.00) reiterating our BUY recommendation.

BUY (BUY)

Target price	EUR 26.00 (17.00)
Current price	EUR 23.50
Up/downside	10.6%

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Strong environment should support growth; PT up

Recently brokerage peers raised their guidance on trading volumes and customer growth. This corresponds with reports from L&S Exchange and Tradegate, which show elevated trading volumes and transactions for December, as well as indicating stronger than expected growth in January. Further, customer metrics hint to rising activity and customer growth among younger clientele. This is very much consistent with the current events regarding GameStop. As this hot topic fuels public awareness on stock markets and neo brokers in particular, the trading restrictions set up by competitors like Trade Republic turns Smartbroker even more so into the spotlight, as Smartbroker took a more customer-centric approach allowing continued trading. With regards to the portal business, reports from online advertisers showed strong results driven by recovering retail ad spending. In light of that we expect w:o to deliver a strong finish to FY20E and sustained growth in FY21E.

Model adjustments: Given the aforementioned as well as the fresh spotlight on neo brokers we assume higher customer growth for Smartbroker (FY21E: 185k, old: 167k). This should be partially driven by a growing number of younger customers, supported by the envisaged rollout of the new front-end and a new trading app. While margin development for FY21E should remain muted due to product investments and marketing expenses the customer growth will translate in stronger top- and proportionate bottom-line growth.

Conclusion: In essence, the environment for w:o looks very supportive and we are strongly confident that the company will leverage on this. We believe that w:o will benefit from continued marketing efforts and planned improvements (modernizing front-end, release of a native app) in terms of dynamic user growth, trading activity, revenues and ultimately earnings growth. This is supported by the profitable portal business where w:o holds a strong market position. Its reach into a homogenous and affluent target group helps promoting its brokerage service and gain market share. Based on our updated valuation models (e.g. DCF and FCF) we arrive at a fair value of EUR 26.00 (old EUR 17.00) reiterating our BUY recommendation.



Source: Company data, AlsterResearch

High/low 52 weeks 25.10 / 3.00
Price/Book Ratio 11.2x

Ticker / Symbols
ISIN DE000A2GS609
WKN A2GS60
Bloomberg WSO1:GR

Changes in estimates

		Sales	EBIT	EPS
2020	old	28.5	5.9	0.25
	Δ	+1.1%	+5,1%	+8,0%
2021	old	40.7	7.3	0.33
	Δ	+3.9%	+27.4%	+30,3%
2022	old	47.5	15.7	0.71
	Δ	+16,0%	+22,3%	+23,4%

Key share data

Number of shares: (in m pcs) 14.4
Book value per share: (in €) 2.17
Ø trading volume: (12 months) 30,000

Major shareholders

AKD/ André Kolbinger 60.7%
Management 2.0%
Free Float 39.3%

Company description

wallstreet:online AG is an operator of online platforms for information and news in the field of stock markets, finance, economics and investments. In addition, the company operates online forums for a large finance-community. Via its stake in wallstreet:online Capital AG (currently 43%, additional 30% waiting for regulatory approval) WO has expanded into the fintech sector namely through the brokerage platform Smartbroker

wallstreet:online AG	2018	2019	2020E	2021E	2022E	2023E
Sales	7.8	8.6	28.8	42.3	55.1	64.5
<i>Growth yoy</i>	49.9%	10.0%	236.8%	46.9%	30.3%	17.1%
EBITDA	3.5	3.7	5.9	9.2	19.2	23.7
EBIT	3.4	3.7	5.9	9.2	19.2	23.7
Net profit	3.2	1.9	4.1	6.2	12.7	15.6
Net debt (net cash)	-9.3	-4.5	-7.9	-14.1	-26.8	-42.4
Net debt/EBITDA	-2.7x	-1.2x	-1.3x	-1.5x	-1.4x	-1.8x
EPS recurring	0.24	0.13	0.28	0.43	0.88	1.09
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<i>Dividend yield</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	86.4%	84.0%	74.7%	77.0%	83.0%	83.0%
EBITDA margin	44.7%	43.3%	20.6%	21.8%	34.8%	36.8%
EBIT margin	43.8%	43.1%	20.6%	21.8%	34.8%	36.8%
ROCE	16.7%	12.8%	18.7%	24.1%	37.5%	35.4%
EV/EBITDA	97.5x	92.8x	57.3x	36.2x	16.8x	12.9x
EV/EBIT	99.6x	93.2x	57.3x	36.2x	16.8x	12.9x
PER	99.8x	183.2x	85.9x	56.2x	27.5x	22.3x
FCF yield	0.9%	2.5%	1.0%	1.8%	3.6%	4.5%

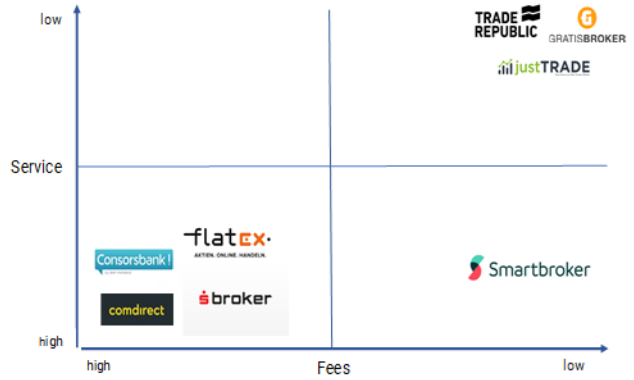
Source: Company data, Alster Research

Investment case in six charts

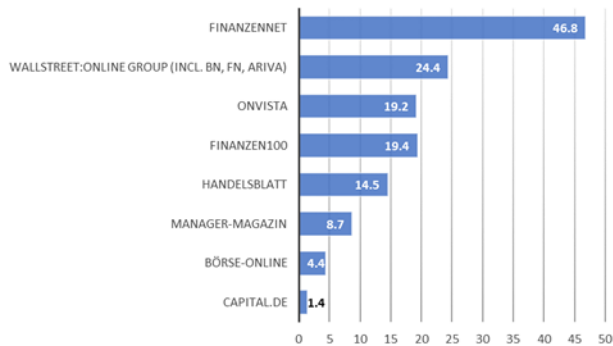
Portfolio



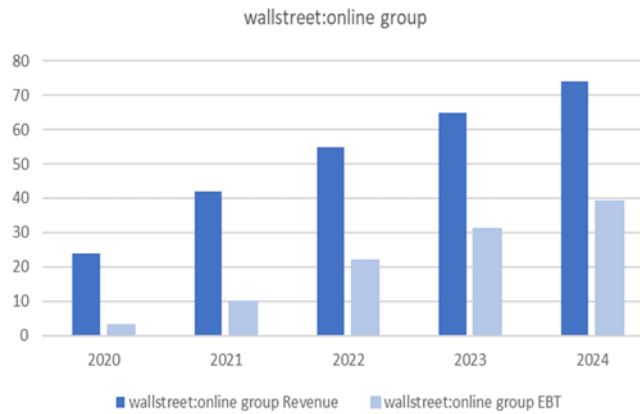
Competitive landscape in Germany



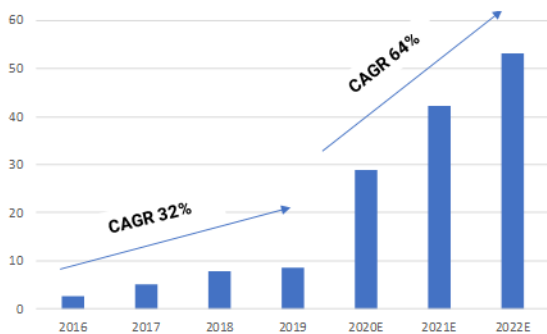
Visits in m



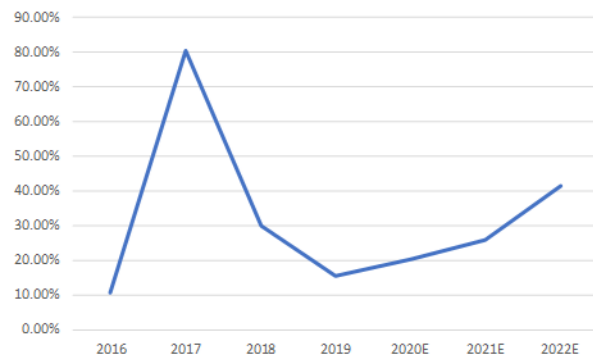
"Vision 2024"



Sales development



ROCE



Financials

Profit and loss (EUR m)	2018	2019	2020E	2021E	2022E	2023E
Net sales	7.8	8.6	28.8	42.3	55.1	64.5
Sales growth	49.9%	10.0%	236.8%	46.9%	30.3%	17.1%
Change in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	7.8	8.6	28.8	42.3	55.1	64.5
Material expenses	1.1	1.4	7.3	9.7	9.4	11.0
Gross profit	6.7	7.2	21.5	32.6	45.7	53.5
Other operating income	0.4	0.2	3.5	0.8	1.0	1.2
Personnel expenses	2.0	2.4	9.6	11.8	14.3	16.8
Other operating expenses	1.7	1.2	9.5	12.3	13.2	14.2
EBITDA	3.5	3.7	5.9	9.2	19.2	23.7
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	3.5	3.7	5.9	9.2	19.2	23.7
Amortisation of goodwill and intangible assets	0.1	0.0	0.0	0.0	0.0	0.0
EBIT	3.4	3.7	5.9	9.2	19.2	23.7
Financial result	0.3	-0.7	0.3	0.3	0.3	0.3
Recurring pretax income from continuing operations	3.7	3.0	6.2	9.5	19.5	24.0
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	3.7	3.0	6.2	9.5	19.5	24.0
Taxes	0.4	1.1	2.2	3.3	6.8	8.4
Net income from continuing operations	3.2	1.9	4.1	6.2	12.7	15.6
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	3.2	1.9	4.1	6.2	12.7	15.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	3.2	1.9	4.1	6.2	12.7	15.6
Average number of shares	13.33	14.38	14.38	14.38	14.38	14.38
EPS reported	0.24	0.13	0.28	0.43	0.88	1.09

Profit and loss (common size)	2018	2019	2020E	2021E	2022E	2023E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	0%	0%	0%	0%	0%	0%
Total sales	100%	100%	100%	100%	100%	100%
Material expenses	14%	16%	25%	23%	17%	17%
Gross profit	86%	84%	75%	77%	83%	83%
Other operating income	6%	2%	12%	2%	2%	2%
Personnel expenses	26%	28%	33%	28%	26%	26%
Other operating expenses	21%	14%	33%	29%	24%	22%
EBITDA	45%	43%	21%	22%	35%	37%
Depreciation	0%	0%	0%	0%	0%	0%
EBITA	45%	43%	21%	22%	35%	37%
Amortisation of goodwill and intangible assets	1%	0%	0%	0%	0%	0%
EBIT	44%	43%	21%	22%	35%	37%
Financial result	3%	-8%	1%	1%	1%	0%
Recurring pretax income from continuing operations	47%	35%	22%	23%	35%	37%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	47%	35%	22%	23%	35%	37%
Taxes	5%	13%	8%	8%	12%	13%
Net income from continuing operations	42%	22%	14%	15%	23%	24%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	42%	22%	14%	15%	23%	24%
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	42%	22%	14%	15%	23%	24%

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020E	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	0.2	0.2	0.2	0.2	0.2	0.2
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.0	0.0	-0.0	-0.1	-0.2	-0.4
Financial assets	10.0	28.0	28.0	28.0	28.0	28.0
FIXED ASSETS	10.2	28.3	28.2	28.1	28.0	27.9
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.5	0.5	0.0	0.0	0.0	0.0
Other current assets	0.7	1.7	1.7	1.7	1.7	1.7
Liquid assets	9.3	4.5	7.9	14.1	26.8	42.4
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.1	1.0	1.0	1.3	1.7	1.9
CURRENT ASSETS	10.6	7.8	10.6	17.1	30.1	46.1
TOTAL ASSETS	20.8	36.0	38.8	45.2	58.1	74.0
SHAREHOLDERS EQUITY	19.3	27.1	31.2	37.4	50.0	65.7
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	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	1.0	1.6	0.6	0.8	1.1	1.3
Non-current liabilities	1.0	1.6	0.6	0.8	1.1	1.3
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.2	0.2	0.0	0.0	0.0	0.0
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.2	7.0	7.0	7.0	7.0	7.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	0.4	7.2	7.0	7.0	7.0	7.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	20.8	36.0	38.8	45.2	58.1	74.0

Balance sheet (common size)	2018	2019	2020E	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	1%	1%	1%	0%	0%	0%
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	0%	0%	-0%	-0%	-0%	-0%
Financial assets	48%	78%	72%	62%	48%	38%
FIXED ASSETS	49%	78%	73%	62%	48%	38%
Inventories	0%	0%	0%	0%	0%	0%
Accounts receivable	2%	1%	0%	0%	0%	0%
Other current assets	4%	5%	4%	4%	3%	2%
Liquid assets	45%	12%	20%	31%	46%	57%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	0%	3%	3%	3%	3%	3%
CURRENT ASSETS	51%	22%	27%	38%	52%	62%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	93%	75%	80%	83%	86%	89%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	0%	0%	0%	0%	0%	0%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	5%	5%	1%	2%	2%	2%
Non-current liabilities	5%	5%	1%	2%	2%	2%
short-term liabilities to banks	0%	0%	0%	0%	0%	0%
Accounts payable	1%	1%	0%	0%	0%	0%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	1%	20%	18%	15%	12%	9%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	2%	20%	18%	15%	12%	9%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020E	2021E	2022E	2023E
Net profit/loss	3.2	1.9	4.1	6.2	12.7	15.6
Depreciation of fixed assets (incl. leases)	0.0	0.0	0.0	0.0	0.0	0.0
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
Others	0.0	0.0	-1.1	0.3	0.3	0.2
Cash flow from operations before changes in w/c	3.2	1.9	3.0	6.5	12.9	15.8
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	0.0	0.1	0.5	0.0	0.0	0.0
Increase/decrease in accounts payable	-0.2	0.0	-0.2	0.0	0.0	0.0
Increase/decrease in other w/c positions	0.0	6.9	-0.0	-0.3	-0.4	-0.3
Increase/decrease in working capital	-0.2	7.0	0.3	-0.3	-0.4	-0.3
Cash flow from operating activities	3.0	8.9	3.3	6.2	12.5	15.5
CAPEX	-0.2	0.0	0.1	0.1	0.1	0.1
Payments for acquisitions	0.0	-15.0	0.0	0.0	0.0	0.0
Financial investments	-10.4	-4.7	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-10.6	-19.7	0.1	0.1	0.1	0.1
Cash flow before financing	-7.6	-10.8	3.4	6.3	12.6	15.7
Increase/decrease in debt position	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	13.4	5.8	0.0	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	13.4	5.8	0.0	0.0	0.0	0.0
Increase/decrease in liquid assets	5.8	-5.0	3.4	6.3	12.6	15.7
Liquid assets at end of period	9.2	4.2	7.5	13.8	26.4	42.1

Source: Company data; AlsterResearch

Ratios	2018	2019	2020E	2021E	2022E	2023E
Per share data						
Earnings per share reported	0.24	0.13	0.28	0.43	0.88	1.09
Cash flow per share	0.23	0.61	0.23	0.43	0.87	1.08
Book value per share	1.45	1.89	2.17	2.60	3.48	4.57
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	99.8x	183.2x	85.9x	56.2x	27.5x	22.3x
P/CF	106.8x	39.4x	105.2x	56.2x	27.8x	22.4x
P/BV	16.7x	12.8x	11.2x	9.3x	7.0x	5.3x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	0.9%	2.5%	1.0%	1.8%	3.6%	4.5%
EV/Sales	43.6x	40.2x	11.8x	7.9x	5.8x	4.7x
EV/EBITDA	97.5x	92.8x	57.3x	36.2x	16.8x	12.9x
EV/EBIT	99.6x	93.2x	57.3x	36.2x	16.8x	12.9x
Income statement (EURm)						
Sales	7.8	8.6	28.8	42.3	55.1	64.5
yoy chg in %	49.9%	10.0%	236.8%	46.9%	30.3%	17.1%
Gross profit	6.7	7.2	21.5	32.6	45.7	53.5
Gross margin in %	86.4%	84.0%	74.7%	77.0%	83.0%	83.0%
EBITDA	3.5	3.7	5.9	9.2	19.2	23.7
EBITDA margin in %	44.7%	43.3%	20.6%	21.8%	34.8%	36.8%
EBIT	3.4	3.7	5.9	9.2	19.2	23.7
EBIT margin in %	43.8%	43.1%	20.6%	21.8%	34.8%	36.8%
Net profit	3.2	1.9	4.1	6.2	12.7	15.6
Cash flow statement (EURm)						
CF from operations	3.0	8.9	3.3	6.2	12.5	15.5
Capex	-0.2	0.0	0.1	0.1	0.1	0.1
Maintenance Capex	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	2.8	8.9	3.4	6.3	12.6	15.7
Balance sheet (EURm)						
Intangible assets	0.2	0.2	0.2	0.2	0.2	0.2
Tangible assets	0.0	0.0	-0.0	-0.1	-0.2	-0.4
Shareholders' equity	19.3	27.1	31.2	37.4	50.0	65.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	1.0	1.6	0.6	0.8	1.1	1.3
Net financial debt	-9.3	-4.5	-7.9	-14.1	-26.8	-42.4
w/c requirements	0.3	0.3	0.0	0.0	0.0	0.0
Ratios						
ROE	16.7%	7.0%	13.0%	16.6%	25.3%	23.8%
ROCE	16.7%	12.8%	18.7%	24.1%	37.5%	35.4%
Net gearing	-48.0%	-16.6%	-25.2%	-37.8%	-53.5%	-64.6%
Net debt / EBITDA	-2.7x	-1.2x	-1.3x	-1.5x	-1.4x	-1.8x

Source: Company data; AlsterResearch

Conflict of interests

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Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
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