

# SMARTBROKER Holding AG

Financial Services - Germany



**Buy** (Initiation)

01.09.2023

**EUR 16.00** (Initiation)

## SMARTBROKER+ ready for take-off // Reinitiate with BUY

After two years of development and € 30m spent, **SMARTBROKER+ the long-awaited launch happened just Wednesday**. With a **best-in-class product offering at a very attractive pricing**, combined with the new, intuitive state-of-the-art UI/UX and a brand refresh, SMARTBROKER+ has developed into the go-to broker in the German retail-brokerage space.

Thanks to the **leaner backend infrastructure** of the new partner Baader Bank and the internalization of the middle ware, cost per transaction should decrease significantly from € 2.50 to € 1.50 (both eNuW), once SMARTBROKER+ is up and running. Since revenues per transaction should remain rather stable (c. € 3.70, eNuW), **gross margins are seen at industry leading 60%** (eNuW).

Fueled by the reach of its **leading German finance portals** (wallstreet:online, ariva, boersennews.de and finanznachrichten.de) with **220m monthly page impressions, the number of new SMARTBROKER+ customer should elevate to 0.58m by FY25e** (0.27m in FY22), which in turn is expected to **drive number of transactions to 12.3m by FY25e** (4.6m in FY22). Importantly and thanks to the reach of the portals, CAC are seen at < € 80, significantly below the industry average of c. € 100.

The portals of the Media segment on the other hand, should benefit from the expected customer inflow of SMARTBROKER+, since **most of the new customers are expected to use the portals of the Group as primary source of information** and should therefore increase the traffic on which. In turn this should increase the attractiveness for advertisers and ultimately the revenues of the Media segment.

In numbers, we expect **Group sales to grow by 19% p.a. to 89.3m by FY25e** (transaction segment: 37% p.a. to € 48m sales; Media segment: 7% p.a. to € 41.3m), driven by **(1) the expected customer inflows** after the launch of SMARTBROKER+ that should materialize from 2024 onwards and **(2) favorable growth trends in the digital adverting market**. Thanks to scale effects and synergies between both segments, the **steady-state EBITDA margin is seen at >30%** (vs 17% in FY22).

In this note, we take a closer look at the quality and growth aspects of **(1) SMARTBROKER+** and **(2) the Media segment**.

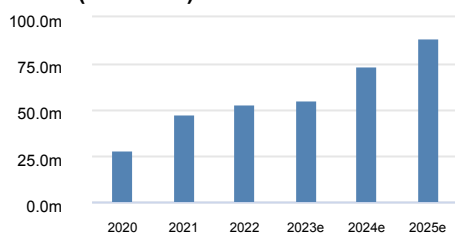
We reinitiate with **BUY** and a new **PT of € 16**, based on DCF.

–continued–

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	28.2	48.2	52.8	55.4	73.8	89.3
Sales growth	229.9%	70.9%	9.5%	4.9%	33.2%	21.0%
EBITDA	4.5	3.6	8.8	3.8	7.7	18.5
Net debt (if net cash=0)	-6.6	-19.8	-12.5	-10.8	-15.8	-28.8
FCF	0.7	1.4	-15.5	-1.7	4.9	13.0
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.23	-0.03	-0.64	-0.04	0.34	0.84
EBITDA margin	16.0%	7.4%	16.6%	6.9%	10.4%	20.7%
ROCE	5.9%	0.7%	-13.0%	0.1%	3.8%	15.7%
EV/sales	6.2	3.4	3.3	3.2	2.3	1.8
EV/EBITDA	38.8	45.6	20.1	46.7	22.5	8.7
PER	51.9	-353.9	-18.8	-333.7	35.7	14.4
Adjusted FCF yield	0.6%	-0.5%	-5.5%	0.1%	0.2%	4.2%

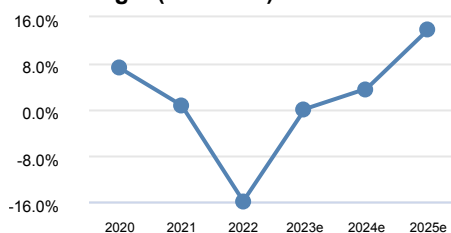
Source: Company data, NuWays, Close price as of 31.08.2023

### Sales (2020-25e)



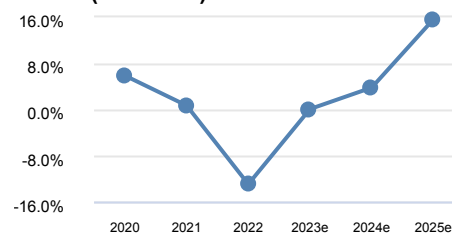
Source: NuWays Research

### EBIT margin (2020-25e)

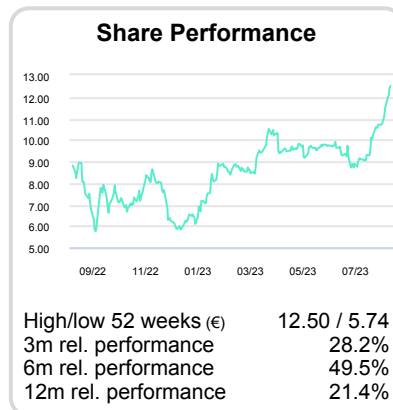


Source: NuWays Research

### ROCE (2020-25e)



Source: NuWays Research



### Market data

Share price (in €)	12.50
Market cap (in € m)	189.0
Number of shares (in m pcs)	15.7
Enterprise value (in € m)	178.1
Ø trading volume (6 months)	10,400

### Identifier

Bloomberg	SB1 GR
Reuters	SB1.DE
WKN	A2GS60
ISIN	DE000A2GS609

### Key shareholders

Andre Kolbinger	57.0%
Management	8.0%
Free Float	35.0%

### Estimates changes

	2023e	2024e	2025e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

### Comment on changes

### Company description

Smartbroker Holding AG operates a full-service online broker as well as four leading finance media portals in order to service Germany's most active investor community with best-in-class online brokerage.




















### Guidance

- Sales FY23: € 51-56m
- EBITDA FY23: € 1-4m

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## SMARTBROKER at a glance

	Media	SMARTBROKER+	Holding
<b>Business model</b>	Smartbroker Holding operates <b>several online portals including</b> wallstreet-online.de, boersennews.de, ariva.de and finanznachrichten.de. <b>Revenues are mostly generated via advertisement</b> on the platforms.	SMARTBROKER Holding operates the <b>online broker SMARTBROKER</b> and the <b>independent online broker</b> for investment funds and brokerage accounts <b>FondsDISCOUNT</b> . Overall, Smartbroker serves more than 267k customers	
<b>Websites</b>	   	 	
<b>Sales 23E (€ m)</b>	34.4	21.0	<b>55.4</b>
<b>Sales share</b>	62%	38%	
<b>Market positions</b>	<b>#2 finance portal:</b> >3m unique users 220m monthly page impressions	<b>Leading online broker:</b> 267k customers € 9bn AuM >4.6m trades p.a.	
<b>Customers</b>	International listed SMEs, key accounts such as HSBC or comdirect	Private investors as well as issuers of certificates and derivatives	
<b>Competitors</b>	    <p>The market for special interest websites in the field of the financial markets can be considered a <b>niche market with only few relevant players.</b></p>	         <p>The independent brokerage of accounts and funds is a <b>fragmented market characterized by many small players.</b></p>	
<b>EBITDA 23e (€ m)</b>			<b>3.8</b>
<b>EBITDA-margin</b>			<b>7%</b>
<b>ROCE 23e</b>			<b>0%</b>
<b>ROCE 25e</b>			<b>16%</b>

Source: NuWays Research

## 1. SMARTBROKER+ is ready for take-off

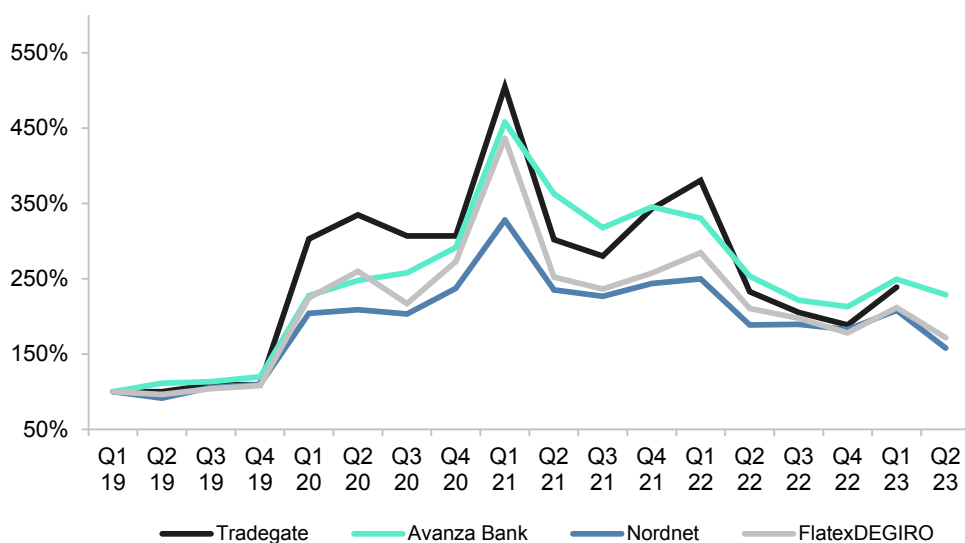
After two years of development and € 30m spent, **SMARTBROKER+ is now ready for the long-awaited launch**. While the beta version was tested with selected existing customers, the official market launch (for existing customer and for new customer) happened just on Wednesday.

Even before the launch, SMARTBROKER has already perfectly combined the best out of two worlds: On the one hand it has the **offering of an established full-service broker** and on the other hand it offers its products and services at **prices that come close to those of neo brokers**.

With the approach of offering a large service portfolio at a low price, SMARTBROKER strongly benefitted from the recent boom years in the retail brokerage space (2020/2021): The number of SMARTBROKER customers ramped-up from close to zero in 2019 to c. **0.25m customers end of 2021, responsible for 5.3m executed transactions** (29 transactions per customer on avg in FY21), despite the fact, that the user interface was outdated, and the user experience lagged behind. Considering, that SMARTBROKER did not offer an app and was hence not able to attract especially younger customer groups, the strong performance is in even more impressive.

Throughout the year 2022 the customer activity normalized again at SMARTBROKER (4.6m executed transaction; 20k new customers) as well as in the whole brokerage space, additionally driven by reduced marketing spendings.

### Transactions in the brokerage space are back on normal levels



Source: Market data, NuWays Research

### State-of-the-art UI/UX

With SMARTBROKER+, customer inflows and customer activity are seen to pick-up again. With SMARTBROKER+, SMARTBROKER should close the gap to neo broker peers by offering a brand-new native app with a state-of the art and intuitive UI/UX that enables the customer to execute a trade, check the portfolio and the watchlist, or get the latest market news in just a view second with just a view taps and swipes on the smartphone. The mission was to build the **next generation broker** and the approach to reach that goal was **“customer first”**.

Together with the refreshed brand that is now looking modern, dynamic, fresh and cool, SMARTBROKER+ differentiates from its competitors. New visuals in black-white and neon-green express **sincerity, trustworthiness** and **transparency**.

## New app frontend with new CI and state-of-the art UI/UX



SMARTBROKER

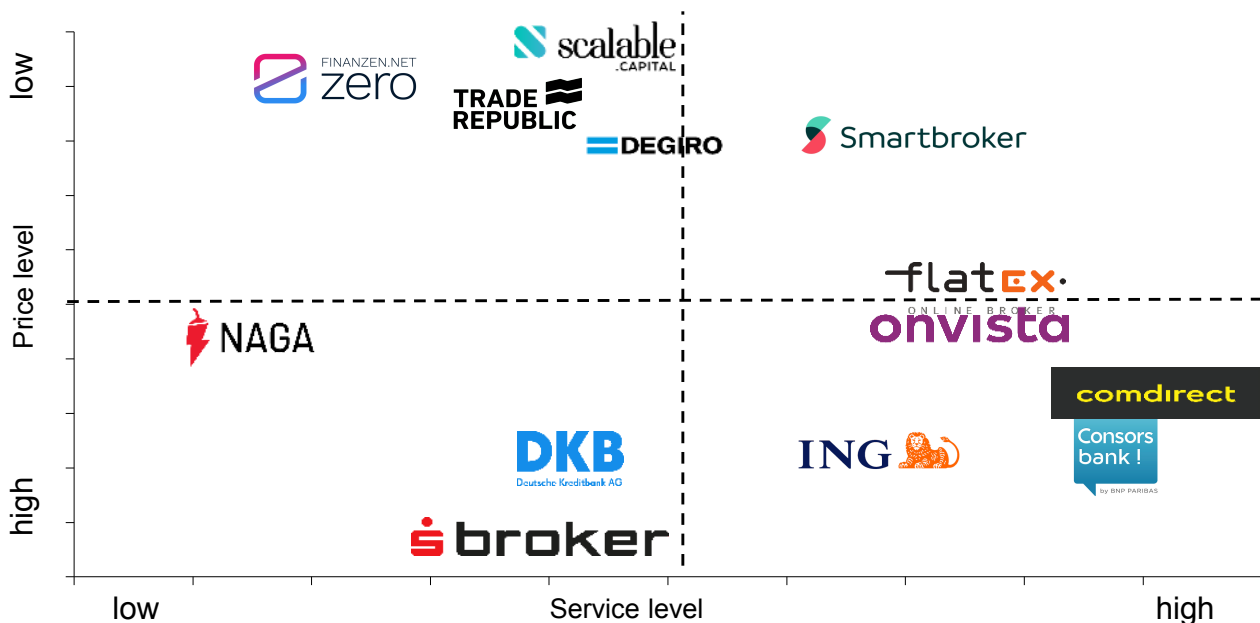
Source: Company data, NuWays Research

The new app and the brand rebrush should turn the former weakness (no app, bad UI/UX) into a strength and a USP against most (established) peers.

## Full-service broker with neo-broker pricing

While the already refreshed brand and the app, which is available now, are important milestones for SMARTBROKER, the product offer remains largely unchanged: In contrast to many neo-broker peers, SMARTBROKER is offering a **huge product universe** including a wide range shares from companies around the globe, derivatives from six major issuer (HSBC, Morgan Stanley, UBS, Vontobel, BNP Paribas and Citi) and 2,000 ETF's (600 available for saving plans, but also all types of funds (18,000 in total; 1,000 available for saving plans), forex, bonds as well as many more products. On top, SMARTBROKER is, contrary to its neo-broker peers, offering a variety of **12 different German exchanges and 21 foreign exchanges**.

## Competitive landscape in the German retail brokerage space



Source: NuWays Research

All that comes at very reasonable pricing: While the cash and deposit account as well as bank transfers are for free,

- **The fees for transactions via German Exchanges vary between € 0-4:** Via gettex and L&S the transaction fee is € 0 and € 1 if the order volume is > € 500 (otherwise € 4). Via Tradegate and Quotrix the fee is € 4 and via at all other exchanges the customer pays € 5 (including € 1 service fee for the backend partner)
- **Foreign Exchanges cost a minimum € 20** structured as following: € 9 plus 0.06-0.2% of the volume and a base fee of c. € 20. Both, percentage points and base fee depend on the exchange.
- **Costs for OTC Trading are ranging between € 0-5.** While transaction via premium partners with a volume > € 500 are for free, transaction via non-premium partner cost up to € 5 (including € 1 service fee for the backend partner)
- **Fund transactions cost € 5** (including € 1 service fee for backend partner)
- **Fees for saving and payout plans are 0.2% of the volume** with a base fee of € 0.80 (minimum amount € 25, maximum amount € 3,000)

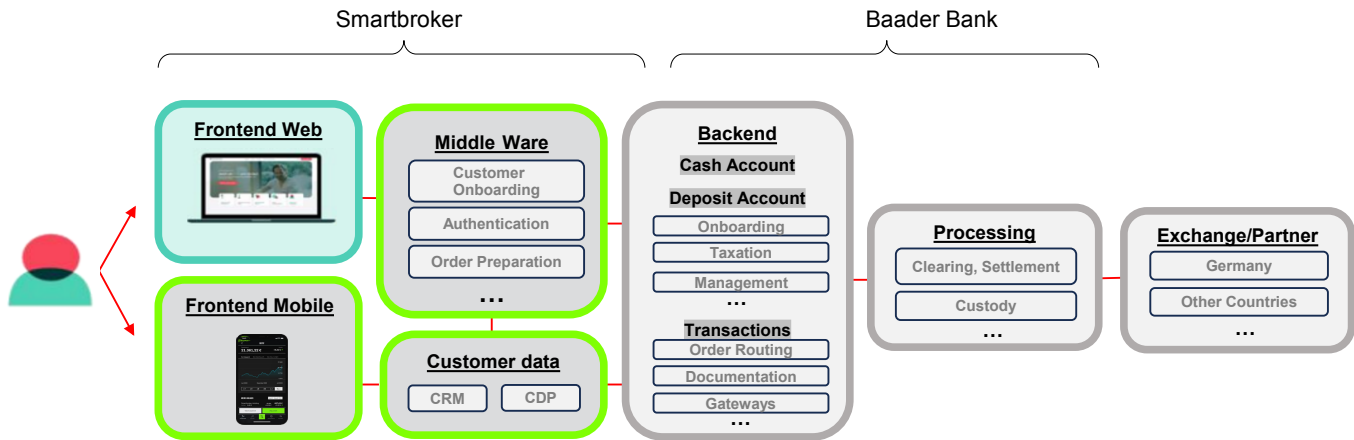
With this overall offering, SMARTBROKER+ should attract on the one hand price sensitive customers from more expensive full-service brokers such as ING, consors and comdirect but also from slightly cheaper alternatives such as flatex or onvista on the back of the lower pricing structure. On the other hand, gather interest from customers of neobrokers such as scalable capital and traderepublic that are looking for a wider product universe and a better service offering for a reasonable price.

As a result of customer inflows stemming from both, established brokers and neobrokers, SMARTBROKER should enjoy a favorable customer mix with an average customer that is 25-39 years old, has some 10-40k AuC at SMARTBROKER and executes c. 15-30 transactions per year with an average volume per trade of € 3,000- 5,000.

## Optimized order-routing structure

Originally, SMARTBROKER not only intended to build a new frontend but also to internalize the full value chain of brokerage. As simple “agent” (Smartbroker AG; formerly wallstreet:online capital AG) using the frontend as well as the backend infrastructure of DAB (since 2016 subsidiary of BNP Paribas), SMARTBROKER had no possibility to change or improve the frontend or the backend. BNP Paribas on the other hand had no resources left to improve an outdated brokerage infrastructure and strengthen a competitor of its proprietary full-service broker Consors. Consequently, SMARTBROKER came to the conclusion to build a proprietary, fully-fledged broker itself. After one year and the postponement of launch, SMARTBROKER changed plans and joined forces with Baader Bank. Now, Baader bank is delivering the backend, while SMARTBROKER is focusing on its core strength that are the frontend as well as owning and servicing the customer.

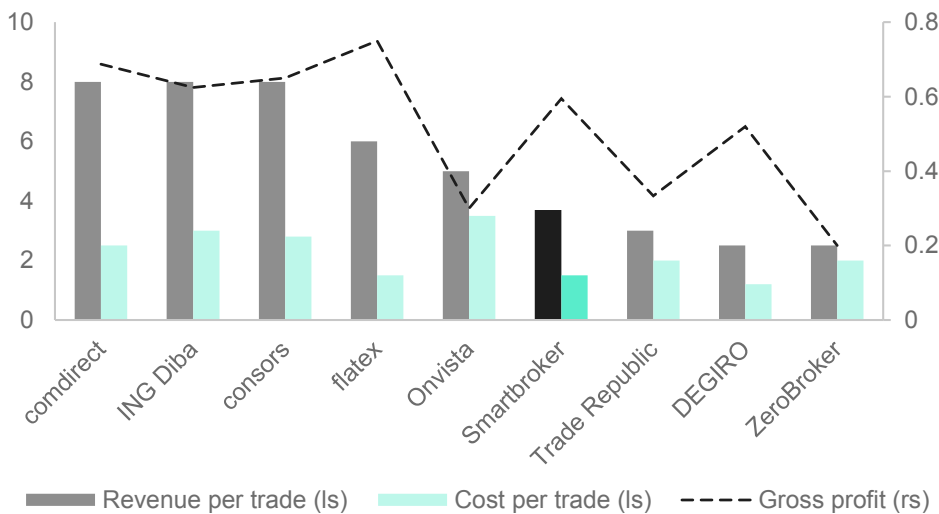
## Internalizing further parts of the brokerage value chain



Source: Company data, NuWays Research

With this solution, SMARTBROKER is now controlling a bigger part of the value chain. SMARTBROKER is hence paying less service fees to Baader bank than it had paid to DAB before. With the reduced cost per trade, **SMARTBROKER is generating a market leading gross profit margin of c. 60% (eNuW).**

## Gross margins in the online brokerage market



Source: NuWays Research

Even better, SMARTBROKER can keep a part of the interest income stemming from assets under custody that customers held in cash that should amount to **c. € 4-6m from 2024 onwards** (assuming 10-15% of the AuC is held in cash; 1% interest margin and 50-50 revenue sharing with Baader Bank).

## Stellar growth ahead

While the overall retail-brokerage market is seen to grow by c. 8-10% p.a., we expect SMARTBROKER+ to outgrow the market at 37% **CAGR 2022-25e to € 48m in FY25e** (vs € 18.7m in FY22), on the back of:

1. **the new mobile app** built around the customer (customer centricity) with a state-of-the art UI/UX,

2. **the brand refresh** giving SMARTBROKER a modern, dynamic, fresh and cool flair
3. **the full range of products and services** offered to customers as well as
4. **a low, very competitive pricing,**

that should fuel number of customers and boost number of executed transactions.

The number of customers is seen to increase at a **30% CAGR 2022-25e** from 0.27m in FY22 to **0.59m in FY25e**, mainly driven by younger price-sensitive customers groups (20-39 years) looking for a full-service broker with a reasonable pricing structure. Assuming that the new customers are on average younger than the existing and having hence less wealth ("wealth triangle"), AuC per account should decline by 7% p.a. to € 28.000. Still, overall AuC are seen to grow steadily by 20% p.a., on the back of the strong customer growth.

Number of executed transactions should grow by **41% p.a. to € 12.9m** by FY25, coming from 4.6m executed transactions in FY22. The disproportionate increase of transaction can be explained by 1) the extraordinary low customer activity in 2022 (18 trades per customer vs 29 in 2020 and 2021) that should normalize again and 2) the strong customer growth that is expected to result in a higher average customer activity (assumption: after opening an account, almost 100% of the customers are active).

Assuming, that the **average revenue per transaction (ARPT) to remain stable at € 3.70** per executed transaction going forward (eNuW vs € 4.07 in FY22) sales should grow at 37% p.a. to € 48m in FY25e.

Thanks to the cooperation with Baader Bank, **costs per transaction should decline to € 1.50 from € 2.50 from 2024 onwards** (eNuW), resulting in an market leading gross profit margin of c. 60% per transaction (eNuW).

	2020	2021	2022	2023e	2024e	2025e
<b>Sales</b>	<b>1.3</b>	<b>21.3</b>	<b>18.7</b>	<b>21.0</b>	<b>35.7</b>	<b>48.0</b>
yoy		1538%	-12%	12%	70%	34%
<b>Customer (in m)</b>	<b>0.12</b>	<b>0.25</b>	<b>0.27</b>	<b>0.31</b>	<b>0.47</b>	<b>0.59</b>
yoy		110%	9%	15%	52%	26%
<b>Transactions (in m)</b>	<b>1.7</b>	<b>5.3</b>	<b>4.6</b>	<b>5.7</b>	<b>9.7</b>	<b>12.9</b>
yoy		212%	574%	25%	68%	33%
<b>ARPT (in €)</b>	<b>0.76</b>	<b>4.02</b>	<b>4.07</b>	<b>3.66</b>	<b>3.70</b>	<b>3.73</b>
yoy		426%	1%	-10%	1%	1%
Avg transactions per customer	29	29	18	20	25	24
yoy		1%	-39%	12%	25%	-3%
ARPU (in €)	22	117	73	73	92	91
yoy		428%	-38%	0%	26%	-2%
AuC (in € m)	4,310	8,820	9,156	9,476	13,684	16,466
yoy		105%	4%	3%	44%	20%
AuC/Account (in €)	36,838	35,854	34,292	30,863	29,320	28,000
yoy		-3%	-4%	-10%	-5%	-5%

Source: NuWays Research



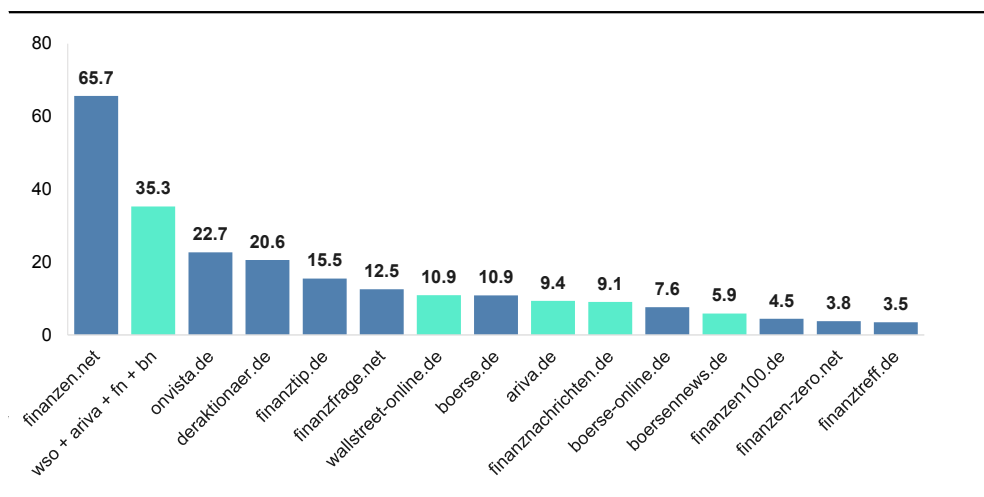
## 2. SMARTBROKER Media – Reach matters

Following the acquisition of Markets Inside Media GmbH (January 2018, owner of boersennews.de), ABC New Media AG (February 2019, owner of finanznachrichten.de), and ARIVA.DE GmbH (in June 2019) SMARTBROKER Media is now operating the **second largest financial portal in Germany** behind Axel Springer-owned finanzen.net, with **35m visits per quarter and over xxm quarterly page impressions**.

All these platforms have a specific customer focus. Still, as platform family, SMARTBROKER Media is offering the **whole portfolio of content** ranging from real time stock quotes and analysis to forums for discussions about stocks to daily market news.

The **loyal user base** (970k registered user) consists of wealthy, finance-savvy private investors of which the great majority are invested in stocks.

### Visits in Q2 2023 (in m)



Source: SImilarweb, NuWays Research

With its focus on financial topics and private traders SMARTBROKER Media is operating in an **advertising niche market**, where reach and network is what really matters. After waves of consolidation throughout the **last years** (SMARTBROKER played a very active role in this), an attractive **oligopolistic market with only few relevant competitors that have the scale and the content to attract relevant advertising customers has formed**.

### High entry barriers

The oligopolistic niche market is characterised by **compelling entry barriers** for potential new players:

**1) IT infrastructure:** SMARTBROKER Media's **proprietary IT infrastructure** demand **high setup costs**, especially for features such as the real time stock quotes, which require more than 14bn calculations per page.

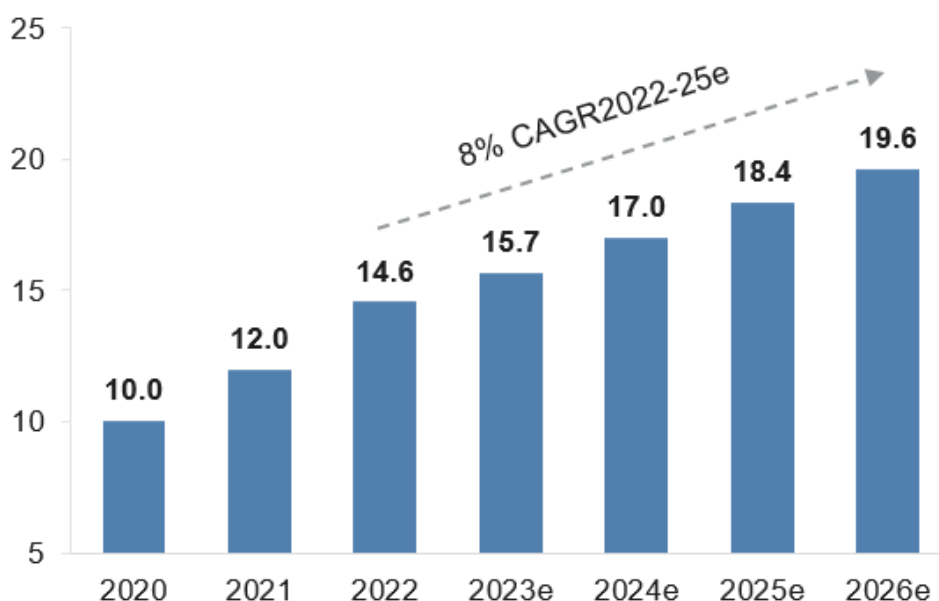
**2) Community:** In fact, the extensive communities and chat forums, have **ca. 970k registered users (adding c. 15-30k new contributions each day)**, covering >100 different topics in **over a million user generated articles**, thereby further increasing the content and appeal of the website.

The latter is especially important when it comes to revenue generation, since the larger and more active the audience is, the more attractive the platforms are for advertisers. Consequently, 3m readers with a very specific and homogeneous profile translate into high quality reach and forming the basis for a successful advertising model.

## Growing digital advertising market

Other than SMARTBROKER, where we expect mid double-digit growth rates, the growth momentum of the Media segment is rather moderate. Still, the overall digital advertising market is seen to grow steadily at 8% CAGR 2022-25e from € 14.6bn to € 19.6bn in FY26e, driven by (1) the increased general internet penetration and usage of online devices, (2) ongoing growth of social media usage and advertising spendings via social media, (3) still ongoing shift from offline to e-commerce activities and (4) programmatic advertising that i.e. combines offline and online marketing activity across different platforms.

### Spendings in the German Digital Advertising Market (in € bn)



Source: Statista (2023), NuWays Research

On the back of its strong market position, we expect SMARTBROKER Media grow in line with its market thanks to a strong momentum in some areas fueled by the SMARTBROKER+ launch and the expected customer growth that should have a strong positive impact on the advertising and should compensate for short-term weakness. The growth drivers above all platforms within the SMARTBROKER Media segment are:

- **Key Accounting Advertising:** All revenues from direct-deal partnerships with banks, funds and ETP (exchange traded products) providers for addressing potential clients are aggregated in this segment. Sales should grow at 14% CAGR 2022-25e from € 11.4m (eNuW) to € 16.9m in FY25e.
- **Programmatic Advertising:** Revenues in this segment stem from leading real-time-bidding (RTB) partners that bid for the premium inventory (banner, ads, etc.) Going forward, we expect sales to increase significantly by 16% p.a. to € 9m in FY25e, from € 5.7m in FY22 (eNuW).
- **Exclusive Paid Content:** This rather small unit includes an own editorial team that provides market and asset analysis and recommendation (i.e. market and stock letters). We expect the sales in the unit to nearly double from € 0.6m in FY22e (eNuW) to € 1m by FY25e.

Apart from these growth drivers, additional stable sales complete the picture, stemming from:

- **Investor Relations advertising**, which includes revenues from all direct deal partnerships with listed (and future listed) companies. Since the revenues in this segment are strongly dependent on the ECM activity, we assume a rather weak development in FY23e (-25% yoy to € 8.6m, eNuW) and rather flattish development in the coming years (4% p.a. to € 9.3m in FY25e).
- **B2B Data & Media** aggregates the offering of high-quality financial data, regulatory documents and web operations to B2B clients. The revenue are mostly recurring and relatively sticky (client usually do not change the data provider regularly), we hence expect revenues to remain rather stable and € 5.1m (eNuW).

## Split and forecast of Media sales

Revenue Growth in € m	2022e	2023e	2024e	2025e	CAGR 2022-25e
<b>Key Accounting Advertising</b>	<b>11.4</b>	<b>13.1</b>	<b>15.1</b>	<b>16.9</b>	<b>14%</b>
yoy		15%	15%	12%	
in % of Media sales	33%	38%	40%	41%	
<b>Investor Relations Advertising</b>	<b>11.4</b>	<b>8.6</b>	<b>9.0</b>	<b>9.3</b>	<b>-7%</b>
yoy		-25%	5%	4%	
in % of Media sales	33%	25%	24%	23%	
<b>Programmatic Advertising</b>	<b>5.7</b>	<b>6.9</b>	<b>8.0</b>	<b>9.0</b>	<b>16%</b>
yoy		21%	16%	12%	
in % of Media sales	17%	20%	21%	22%	
<b>Exclusive Paid Content</b>	<b>0.6</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>	<b>19%</b>
yoy		25%	19%	14%	
in % of Media sales	2%	2%	2%	2%	
<b>B2B Data &amp; Media</b>	<b>5.0</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>1%</b>
yoy		1%	1%	1%	
in % of Media sales	15%	15%	13%	12%	

Source: NuWays Research

## Symbiosis between SMARTBROKER+ and Media segment...

Armed with this **unique reach**, SMARTBROKER Media is **singularly well positioned to add a distribution platform** for brokerage accounts and investment funds to its offering, in an effort to further **monetize its user base and diversify income streams**.

Consequently, customer acquisition costs for new brokerage customers should decline significantly not only compared to the historic average, but also compared to competition. Obviously, the Media segment should also benefit from synergies, as SMARTBROKER customers should mostly use the proprietary portals of the Group, which should increase the traffic and hence the attractiveness for customers of the Media segment, which should ultimately help to grow sales.

## ...fuel topline and unlock synergy and scale effects

Importantly, synergies should not only become visible in higher topline and lower customer acquisition cost, reducing marketing spendings (relative to sales), but also in lower OPEX (personnel expenses and other material expenses) relative to sales, fuelled by scale effects.

The scalability of the business model should materialize in steady state EBITDA margins of north of 30% (vs 17% in FY22).

# SMARTBROKER Holding AG

Full note / Initiation - 01.09.2023

SMARTBROKER Holding in € m	2020	2021	2022	2023e	2024e	2025e
<b>Sales</b>	<b>28.2</b>	<b>48.2</b>	<b>52.8</b>	<b>55.4</b>	<b>73.8</b>	<b>89.3</b>
<i>yoy in %</i>		71%	10%	5%	33%	21%
----- <b>SMARTBROKER</b>	1.3	21.3	18.7	21.0	35.7	48.0
<i>yoy in %</i>		1538%	-12%	12%	70%	34%
<b>Media</b>	26.9	35.5	34.1	34.4	38.0	41.3
<i>yoy in %</i>		32%	-4%	1%	11%	9%
<b>Material Expenses</b>	13.5	25.9	21.1	25.3	36.6	39.3
<i>in % of sales</i>	47.7%	53.6%	39.9%	45.7%	49.6%	44.0%
<b>Gross Profit</b>	<b>14.8</b>	<b>23.2</b>	<b>34.1</b>	<b>30.1</b>	<b>37.2</b>	<b>50.0</b>
<i>Gross margin</i>	52%	48%	65%	54%	50%	56%
<b>Personnel Expenses</b>	8.0	12.6	18.7	17.7	22.4	25.7
<i>in % of sales</i>	28.3%	26.2%	35.5%	32.0%	30.4%	28.8%
<b>Other operating income</b>	0.3	0.6	1.4	1.4	1.9	2.3
<i>in % of sales</i>	0.9%	1.3%	2.6%	2.6%	2.6%	2.6%
<b>Other operating expenses</b>	2.5	7.7	8.0	10.0	9.0	8.0
<i>in % of sales</i>	8.9%	15.9%	15.1%	18.1%	12.2%	9.0%
<b>EBITDA</b>	<b>4.5</b>	<b>3.6</b>	<b>8.8</b>	<b>3.8</b>	<b>7.7</b>	<b>18.5</b>
<i>EBIT margin</i>	16%	7%	17%	7%	10%	21%
<b>D&amp;A</b>	2.5	3.2	17.2	3.8	5.0	6.1
<i>in % of sales</i>	8.8%	6.7%	32.6%	6.8%	6.8%	6.8%
<b>Financial result</b>	2.5	-0.3	-1.5	-0.8	4.9	6.4
<i>in % of sales</i>	9.0%	-0.6%	-2.9%	-1.4%	6.7%	7.1%
<b>Tax expenses</b>	1.0	0.6	0.1	-0.2	2.3	5.6
<i>Tax rate</i>	14.3%	8.5%	0.5%	-2.9%	18.0%	22.9%
<b>Net Income</b>	<b>3.6</b>	<b>-0.5</b>	<b>-10.1</b>	<b>-0.5</b>	<b>5.3</b>	<b>13.2</b>
<i>Net Income margin</i>	13%	-1%	-19%	-1%	7%	15%

Source: NuWays Research

## Valuation

The DCF model yields a price target of € 16.00. The key model assumptions are:

- **Terminal year EBIT margin of 22.5%:** SMARTBROKER should reach break-even in 2023e. Driven by the scalability of the platform and expected synergies and cross-selling potentials between the Media and the Transactions segment, a Group EBIT margin of >22.5% should be reached in 2027. Once SMARTBROKER+ is live and scale kicks in, OPEX should decline relative to sales. Furthermore, material costs should decline going forward, reflecting lower costs per transaction thanks to the leaner backend structure as well as lower customer acquisition costs as a result of the beneficial reach of the finance media portals that come along with the growth of the platform. Both allowing the company to reach EBIT margins of 25%+ in the long-term, in our view. Still, in our DCF, we conservatively assume a terminal EBIT margin of just 22.5%.
- **2.0% terminal year growth rate:** The short-term growth rate is seen at 19% CAGR2022-25e and the mid-term growth rate at 12.5% p.a. (2025-30e), thanks to the expected ramp-up of SMARTBROKER+ as the only full-service low cost broker in Germany.
- **WACC of 9%:** The WACC of 9.0% is derived from a 3.0% risk-free rate, a beta of 1 and 6.0% risk premium.

Looking at the sensitivity analysis, a 1% lower terminal year EBIT margin would imply a fair value per share of € 15.00, while a 1% higher terminal year EBIT margin would result in € 16.90 per share.

DCF (EUR m) (except per share data and beta)	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal value
NOPAT	-8.5	0.0	1.8	8.7	12.7	15.5	18.2	20.2	26.6
Depreciation	18.4	3.8	5.0	6.1	7.0	7.9	8.7	10.5	12.7
Increase/decrease in working capital	-1.6	-1.0	-1.4	-1.2	-1.1	0.2	-2.0	-2.0	0.1
Increase/decrease in long-term provisions and accruals	-2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	-21.1	-5.0	-5.0	-6.1	-7.0	-7.9	-8.7	-10.5	-12.7
Acquisitions	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increase	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow</b>	<b>-6.1</b>	<b>-2.3</b>	<b>0.4</b>	<b>7.5</b>	<b>11.6</b>	<b>15.7</b>	<b>16.2</b>	<b>18.2</b>	<b>26.7</b>
Present value	-6.5	-2.2	0.4	6.1	8.7	10.8	10.2	10.5	203.6
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

DCF per share derived from	
Total present value	242
thereof terminal value	79%
Net debt (net cash) at start of year	-13
Financial assets	0.0
Provisions and off balance sheet debt	4
Equity value	250
No. of shares outstanding	15.7
<b>Discounted cash flow per share</b>	<b>16.0</b>
<b>upside/(downside)</b>	<b>32%</b>

Share price	12.1
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DCF avg. growth and earnings assumptions	
Short term growth (2022-2025)	19.1%
Medium term growth (2025 - 2030)	12.6%
Long term growth (2030 - infinity)	2.0%
Terminal year EBIT margin	22.5%

WACC derived from	
Cost of borrowings before taxes	4.0%
Tax rate	30.0%
Cost of borrowings after taxes	2.8%
Required return on invested capital	9.0%
Risk premium	6.0%
Risk-free rate	3.0%
Beta	1.0

Sensitivity analysis DCF						
		Long term growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	11.0%	11.0	11.5	12.0	12.5	13.2
	10.0%	12.4	13.0	13.7	14.5	15.3
	9.0%	14.2	15.0	16.0	17.0	18.3
	8.0%	16.6	17.7	19.0	20.6	22.4
	7.0%	19.8	21.5	23.4	25.8	28.8

Sensitivity analysis DCF						
		EBIT margin terminal year				
		20.5%	21.5%	22.5%	23.5%	24.5%
WACC	11.0%	10.7	11.3	12.0	12.6	13.2
	10.0%	12.2	12.9	13.7	14.5	15.2
	9.0%	14.1	15.0	16.0	16.9	17.8
	8.0%	16.8	17.9	19.0	20.2	21.3
	7.0%	20.6	22.0	23.4	24.9	26.3

Source: NuWays Research

# SMARTBROKER Holding AG

Full note / Initiation - 01.09.2023



## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>28.2</b>	<b>48.2</b>	<b>52.8</b>	<b>55.4</b>	<b>73.8</b>	<b>89.3</b>
<i>Sales growth</i>	229.9%	70.9%	9.5%	4.9%	33.2%	21.0%
Increase/decrease in finished goods and work-in-process	-0.0	0.9	2.4	0.0	0.0	0.0
<b>Total sales</b>	<b>28.2</b>	<b>49.1</b>	<b>55.2</b>	<b>55.4</b>	<b>73.8</b>	<b>89.3</b>
Other operating income	0.3	0.6	1.4	1.4	1.9	2.3
Material expenses	13.5	25.9	21.1	25.3	36.6	39.3
Personnel expenses	8.0	12.6	18.7	17.7	22.4	25.7
Other operating expenses	2.5	7.7	8.0	10.0	9.0	8.0
<b>Total operating expenses</b>	<b>23.7</b>	<b>45.5</b>	<b>46.4</b>	<b>51.6</b>	<b>66.1</b>	<b>70.8</b>
<b>EBITDA</b>	<b>4.5</b>	<b>3.6</b>	<b>8.8</b>	<b>3.8</b>	<b>7.7</b>	<b>18.5</b>
Depreciation	2.5	3.2	17.2	3.8	5.0	6.1
<b>EBITA</b>	<b>2.0</b>	<b>0.3</b>	<b>-8.4</b>	<b>0.1</b>	<b>2.7</b>	<b>12.4</b>
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
<b>EBIT (inc revaluation net)</b>	<b>2.0</b>	<b>0.3</b>	<b>-8.4</b>	<b>0.1</b>	<b>2.7</b>	<b>12.4</b>
Interest income	0.0	0.0	0.0	0.4	6.1	7.5
Interest expenses	0.2	0.2	0.4	0.0	0.0	0.0
Investment income	2.7	0.0	0.0	0.0	0.0	0.0
Financial result	2.5	-0.3	-1.5	-0.8	4.9	6.4
<b>Recurring pretax income from continuing operations</b>	<b>4.6</b>	<b>0.0</b>	<b>-9.9</b>	<b>-0.7</b>	<b>7.6</b>	<b>18.8</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>4.6</b>	<b>0.0</b>	<b>-9.9</b>	<b>-0.7</b>	<b>7.6</b>	<b>18.8</b>
Income tax expense	1.0	0.6	0.1	-0.2	2.3	5.6
<b>Net income from continuing operations</b>	<b>3.6</b>	<b>-0.5</b>	<b>-10.1</b>	<b>-0.5</b>	<b>5.3</b>	<b>13.2</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>3.6</b>	<b>-0.5</b>	<b>-10.1</b>	<b>-0.5</b>	<b>5.3</b>	<b>13.2</b>
Minority interest	0.0	-0.0	-0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>3.5</b>	<b>-0.5</b>	<b>-10.0</b>	<b>-0.6</b>	<b>5.3</b>	<b>13.1</b>
Average number of shares	15.1	15.1	15.4	15.7	15.7	15.7
<b>EPS reported</b>	<b>0.23</b>	<b>-0.03</b>	<b>-0.65</b>	<b>-0.04</b>	<b>0.34</b>	<b>0.84</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Sales growth</i>	229.9%	70.9%	9.5%	4.9%	33.2%	21.0%
Increase/decrease in finished goods and work-in-process	-0.0%	1.8%	4.5%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>100.0%</b>	<b>101.8%</b>	<b>104.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	0.9%	1.3%	2.6%	2.6%	2.6%	2.6%
Material expenses	47.7%	53.6%	39.9%	45.7%	49.6%	44.0%
Personnel expenses	28.3%	26.2%	35.5%	32.0%	30.4%	28.8%
Other operating expenses	8.9%	15.9%	15.1%	18.1%	12.2%	9.0%
<b>Total operating expenses</b>	<b>84.0%</b>	<b>94.4%</b>	<b>87.9%</b>	<b>93.1%</b>	<b>89.6%</b>	<b>79.3%</b>
<b>EBITDA</b>	<b>16.0%</b>	<b>7.4%</b>	<b>16.6%</b>	<b>6.9%</b>	<b>10.4%</b>	<b>20.7%</b>
Depreciation	8.8%	6.7%	32.6%	6.8%	6.8%	6.8%
<b>EBITA</b>	<b>7.2%</b>	<b>0.7%</b>	<b>-15.9%</b>	<b>0.1%</b>	<b>3.6%</b>	<b>13.9%</b>
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%
<b>EBIT (inc revaluation net)</b>	<b>7.2%</b>	<b>0.7%</b>	<b>-15.9%</b>	<b>0.1%</b>	<b>3.6%</b>	<b>13.9%</b>
Interest income	0.1%	0.0%	0.1%	0.7%	8.3%	8.4%
Interest expenses	0.6%	0.3%	0.7%	0.0%	0.0%	0.0%
Investment income	9.4%	0.1%	0.0%	0.0%	0.0%	0.0%
Financial result	9.0%	neg.	neg.	neg.	6.7%	7.1%
<b>Recurring pretax income from continuing operations</b>	<b>16.2%</b>	<b>0.1%</b>	<b>-18.8%</b>	<b>-1.3%</b>	<b>10.3%</b>	<b>21.1%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>16.2%</b>	<b>0.1%</b>	<b>-18.8%</b>	<b>-1.3%</b>	<b>10.3%</b>	<b>21.1%</b>
Tax rate	22.1%	1408.5%	-1.3%	30.0%	30.0%	30.0%
<b>Net income from continuing operations</b>	<b>12.6%</b>	<b>-1.1%</b>	<b>-19.1%</b>	<b>-0.9%</b>	<b>7.2%</b>	<b>14.7%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>12.6%</b>	<b>-1.1%</b>	<b>-19.1%</b>	<b>-0.9%</b>	<b>7.2%</b>	<b>14.7%</b>
Minority interest	0.2%	-0.0%	-0.0%	0.1%	0.1%	0.1%
<b>Net profit (reported)</b>	<b>12.4%</b>	<b>-1.1%</b>	<b>-19.0%</b>	<b>-1.0%</b>	<b>7.2%</b>	<b>14.7%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	20.5	37.5	33.6	33.6	33.6	33.6
Property, plant and equipment	0.4	0.9	1.8	3.0	3.0	3.0
Financial assets	7.9	2.2	1.5	0.3	-0.8	-2.0
<b>FIXED ASSETS</b>	<b>28.8</b>	<b>40.6</b>	<b>36.9</b>	<b>37.0</b>	<b>35.8</b>	<b>34.6</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	2.8	7.0	6.1	6.4	8.6	10.4
Other assets and short-term financial assets	3.6	1.9	2.7	2.7	2.7	2.7
Liquid assets	14.1	25.5	27.4	25.7	30.7	43.6
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.3	0.4	0.8	0.8	0.8	0.8
<b>CURRENT ASSETS</b>	<b>22.4</b>	<b>34.8</b>	<b>37.0</b>	<b>35.7</b>	<b>42.7</b>	<b>57.5</b>
<b>TOTAL ASSETS</b>	<b>51.2</b>	<b>75.4</b>	<b>73.9</b>	<b>72.6</b>	<b>78.6</b>	<b>92.2</b>

<b>SHAREHOLDERS EQUITY</b>	<b>30.2</b>	<b>49.5</b>	<b>49.4</b>	<b>48.8</b>	<b>54.0</b>	<b>67.0</b>
MINORITY INTEREST	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 and accrued liabilities	1.9	5.0	3.5	3.5	3.5	3.5
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	1.6	8.9	3.0	2.3	3.0	3.7
Advance payments received on orders	0.0	0.1	0.2	0.2	0.2	0.2
Other liabilities (incl. from lease and rental contracts)	6.4	1.9	0.4	0.4	0.4	0.4
Deferred taxes	1.0	0.9	0.8	0.8	0.8	0.8
Deferred income	1.7	2.3	1.2	1.2	1.2	1.2
<b>CURRENT LIABILITIES</b>	<b>8.0</b>	<b>10.9</b>	<b>3.6</b>	<b>2.9</b>	<b>3.6</b>	<b>4.3</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>51.2</b>	<b>75.4</b>	<b>73.9</b>	<b>72.6</b>	<b>78.6</b>	<b>92.2</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	40.0%	49.7%	45.5%	46.3%	42.8%	36.5%
Property, plant and equipment	0.8%	1.2%	2.4%	4.1%	3.8%	3.3%
Financial assets	15.5%	3.0%	2.0%	0.5%	-1.1%	-2.2%
<b>FIXED ASSETS</b>	<b>56.3%</b>	<b>53.9%</b>	<b>49.9%</b>	<b>50.9%</b>	<b>45.6%</b>	<b>37.6%</b>
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	5.5%	9.2%	8.3%	8.9%	10.9%	11.3%
Other assets and short-term financial assets	7.1%	2.5%	3.7%	3.8%	3.5%	3.0%
Liquid assets	27.5%	33.9%	37.0%	35.4%	39.0%	47.4%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	0.7%	0.5%	1.0%	1.0%	1.0%	0.8%
<b>CURRENT ASSETS</b>	<b>43.7%</b>	<b>46.1%</b>	<b>50.1%</b>	<b>49.1%</b>	<b>54.4%</b>	<b>62.4%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>59.0%</b>	<b>65.6%</b>	<b>66.9%</b>	<b>67.2%</b>	<b>68.7%</b>	<b>72.7%</b>
MINORITY INTEREST	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 and accrued liabilities	3.7%	6.7%	4.7%	4.8%	4.4%	3.8%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	3.1%	11.8%	4.0%	3.1%	3.9%	4.0%
Advance payments received on orders	0.1%	0.1%	0.2%	0.3%	0.2%	0.2%
Other liabilities (incl. from lease and rental contracts)	12.5%	2.5%	0.6%	0.6%	0.6%	0.5%
Deferred taxes	1.9%	1.2%	1.1%	1.2%	1.1%	0.9%
Deferred income	3.3%	3.1%	1.6%	1.6%	1.5%	1.3%
<b>CURRENT LIABILITIES</b>	<b>15.7%</b>	<b>14.4%</b>	<b>4.9%</b>	<b>4.0%</b>	<b>4.6%</b>	<b>4.6%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays



Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	3.6	-0.5	-10.1	-0.5	5.3	13.2
Depreciation of fixed assets (incl. leases)	2.5	3.8	18.4	3.8	5.0	6.1
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.2	-0.2	-0.4	0.0	0.0	0.0
Cash flow from operating activities	-1.3	10.1	-13.3	-0.4	4.9	13.0
Increase/decrease in inventory	-0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-2.3	-2.3	-0.4	-0.3	-2.1	-1.8
Increase/decrease in accounts payable	1.4	9.0	-1.2	-0.7	0.8	0.6
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-0.9	6.8	-1.6	-1.0	-1.4	-1.2
<b>Cash flow from operating activities</b>	<b>1.2</b>	<b>13.9</b>	<b>5.0</b>	<b>3.3</b>	<b>10.0</b>	<b>19.1</b>
CAPEX	0.5	12.5	20.6	5.0	5.0	6.1
Payments for acquisitions	0.0	9.1	1.2	0.0	0.0	0.0
Financial investments	3.4	0.5	0.5	0.0	0.0	0.0
Income from asset disposals	2.6	2.4	0.3	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-1.3</b>	<b>-19.8</b>	<b>-22.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-6.1</b>
Cash flow before financing	-0.1	-5.9	-16.9	-1.7	4.9	13.0
Increase/decrease in debt position	4.7	-1.8	9.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	19.1	10.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.2	-0.2	-0.4	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.0	0.2	0.1	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>4.5</b>	<b>17.2</b>	<b>18.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	4.4	11.5	1.9	-1.7	4.9	13.0
<b>Liquid assets at end of period</b>	<b>14.1</b>	<b>25.5</b>	<b>27.4</b>	<b>25.7</b>	<b>30.7</b>	<b>43.6</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	229.9%	70.9%	9.5%	4.9%	33.2%	21.0%
EBITDA growth	30.1%	-3.9%	94.1%	7.3%	-12.3%	384.6%
EBIT growth	-40.4%	-90.5%	-514.8%	-85.0%	-131.8%	23700.8%
EPS growth	-88.0%	-103.1%	-381.1%	6.1%	-151.7%	-2415.7%
<b>Efficiency</b>						
Sales per employee	581.6	964.1	754.1	791.0	1,054.0	1,275.2
EBITDA per employee	93.2	71.1	125.3	54.5	109.9	264.3
No. employees (average)	48	50	70	70	70	70
<b>Balance sheet analysis</b>						
Avg. working capital / sales	6.6%	-1.0%	5.4%	1.8%	5.7%	5.9%
Inventory turnover (sales/inventory)	0.0	11,304.6	11,304.6	11,304.6	11,304.6	11,304.6
Accounts receivable turnover	36.2	52.8	42.5	42.5	42.5	42.5
Accounts payable turnover	20.3	67.2	20.6	15.0	15.0	15.0
<b>Cash flow analysis</b>						
Free cash flow	0.7	1.4	-15.5	-1.7	4.9	13.0
Free cash flow/sales	2.4%	3.0%	-29.4%	-3.0%	6.7%	14.6%
FCF / net profit	18.7%	neg.	154.1%	319.1%	92.7%	98.7%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	-6.6	-19.8	-12.5	-10.8	-15.8	-28.8
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	2.2%	2.9%	3.4%	0.0%	0.0%	0.0%
<b>Returns</b>						
ROCE	5.9%	0.7%	-13.0%	0.1%	3.8%	15.7%
ROE	11.6%	-1.0%	-20.3%	-1.2%	9.8%	19.6%
Adjusted FCF yield	0.6%	-0.5%	-5.5%	0.1%	0.2%	4.2%
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	0.23	-0.03	-0.65	-0.04	0.34	0.84
Average number of shares	15.1	15.1	15.4	15.7	15.7	15.7
<b>Valuation ratios</b>						
P/BV	6.0	3.7	3.8	3.9	3.5	2.8
EV/sales	6.2	3.4	3.3	3.2	2.3	1.8
EV/EBITDA	38.8	45.6	20.1	46.7	22.5	8.7
EV/EBIT	86.5	465.2	-21.0	3410.6	64.7	12.9

Source: Company data, NuWays

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Company	Disclosures
SMARTBROKER Holding AG	2,8

### Historical target price and rating changes for SMARTBROKER Holding AG

Company	Date	Analyst	Rating	Target Price	Close
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## Contacts

### NuWays AG

Mittelweg 16-17  
20148 Hamburg  
Germany

info@nuways-ag.com  
www.nuways-ag.com



**Christian Sandherr**

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



**Frederik Jarchow**

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



**Philipp Sennewald**

Analyst

philipp.sennewald@nuways-ag.com



**Vaishnavi Khare**

Analyst

vaishnavi.khare@nuways-ag.com



**Henry Wendisch**

Analyst

henry.wendisch@nuways-ag.com

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