

## ÖKOWORLD

### Asset management

12 September 2017

### AUM approaching FY17 target

ÖKOWORLD (ÖWAG) reported healthy growth in H117, with sales and operating profit more than doubling year-on-year despite the lack of dividend payments from affiliated companies (€1.6m in H116). AUM continues to increase and currently stands at €970m (up 4.8% vs end-March), approaching the €1.0bn threshold that ÖWAG intends to surpass in FY17. To date, the flagship Ökovision Classic fund posted returns of 6.7% (C-shares) and 5.2% (A-shares). ÖWAG's shares rallied 27% ytd and are now trading at a premium of 4% and 27% on P/E and EV/EBITDA for FY17e, respectively.

### H117 results driven by core SRI business

ÖWAG posted 127.3% y-o-y growth in EBIT to €4.0m (based on Edison calculations) and an EBIT margin improvement of 503bps to 49.1%, supported by top-line growth of 104.0% y-o-y. Net income increased to €3.0m translating into an LTM ROE of 37.6% (compared with 32.6% in FY16). Equity as a percentage of the balance sheet total reached 76% (vs 73% at end-2016) and company's cash position stood at €12.6m compared with €8.8m in FY16.

### AUM getting closer to FY17 target

So far ÖWAG's flagship Ökovision Classic fund (representing 73% of total AUM) posted returns of 6.7% (C-units) and 5.2% (A-units). The Growing Markets 2.0 fund did much better, generating returns of 12.8% (C-shares) and 13.4% (D-shares) ytd. This compares with 14.7% ytd return of MSCI World ESG Universal net return index and 12.2% in the case of the broader MSCI World Index (though we understand that these indices should not be strictly considered benchmarks for ÖWAG's funds). Aggregate AUM reached €970m as of 8 September (based on our calculations) vs €925m at end-March, bringing the company closer to the FY17 target of >€1.0bn.

### Valuation: Premium following recent share price rally

Following the 27% price rally ytd, ÖWAG's shares trade at a 4% and 27% premium on P/E and EV/EBITDA ratios for FY17e, respectively. The market expects moderate earnings growth over the two subsequent years (EPS and EBITDA growth of 6-7% per annum as per Bloomberg consensus). Consequently, the shares trade at an even higher premium on FY18e and FY19e numbers. Still, ÖWAG offers an attractive dividend yield of c 4%, above the peer average.

Consensus estimates						
Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	12.7	4.6	0.44	0.45	30.5	3.4
12/16	9.2	5.2	0.60	0.51	22.4	3.8
12/17e	18.6	5.7	0.64	0.54	21.0	4.0
12/18e	19.5	6.1	0.68	0.54	19.7	4.0

Source: ÖKOWORLD accounts, Bloomberg consensus estimates as at 8 September 2017

**Price** €13.42

**Market cap** €100m

\*Market cap based on 7.43m total shares issued (after deduction of treasury shares); only 3.44m non-voting preference shares listed on the stock market.

#### Share price graph



#### Share details

Code	VVV3
Listing	Deutsche Börse Scale
Shares in issue (non-voting preferred)	3.44m
Last reported net cash as at 30 June 2017	€12.6m

#### Business description

ÖKOWORLD is a listed holding company for asset management, insurance brokerage and advisory services. It is one of Germany's pioneers in SRI and ethical-ecological investment advisory, with its nucleus reaching back to 1975. It has preserved its successful core investment principles and reached AUM of €970m as of 8 September 2017.

#### Bull

- A strong brand with established distribution channels and constant AUM growth.
- SRI investments have become mainstream with more companies following SRI rules.
- Proven track record and numerous awards.

#### Bear

- Despite long history, still relatively low AUM.
- Strong dependency on German market.
- Only preference shares available to investors.

#### Analyst

Milosz Papst +44 (0) 20 3077 5700

[financials@edisongroup.com](mailto:financials@edisongroup.com)

[Edison profile page](#)

Edison Investment Research provides qualitative research coverage on companies in the Deutsche Börse Scale segment in accordance with section 36 subsection 3 of the General Terms and Conditions of Deutsche Börse AG for the Regulated Unofficial Market (Freiverkehr) on Frankfurter Wertpapierbörse (as of 1 March 2017). Two to three research reports will be produced per year. Research reports do not contain Edison analyst financial forecasts.

## Financials: H117 results released

### Income statement

ÖWAG reported strong H117 numbers, with EBIT growing by 127.3% y-o-y to €4.0m on the back of a strong sales increase of 104.0% to €8.1m compared with H116. Solid momentum was driven in particular by the performance of the investment trust Ökoworld LUX SA, which executes the SRI-driven fund management within the group. EBIT margin improved by 503bps to 49.1%, following a year-on-year decline in cost of services of 18.2% and a less pronounced increase in other cost items, such as personnel expenses (up 66.9% vs H116), and other operating expenses (an increase of 23.1% y-o-y). D&A remained broadly stable at €0.07m. The company did not receive any dividends from affiliated companies in H117, while collecting €1.6m a year ago. Net interest income was close to null compared to €0.04m in H116, translating into EBT of €4.0m (vs €1.8m last year). The effective tax rate stood at 23.9% and was higher than in H116 (10.9%), as the dividends received last year were taxed at a lower rate. As a result, net income improved by 89.8% y-o-y to €3.0m, which implies an LTM ROE of 37.6% (ahead of 32.6% in FY16).

### Balance sheet

ÖWAG continued to execute its buyback program launched in 2015 and repurchased 257,276 shares in H117. As 512,276 treasury shares became subject to capital reduction, the outstanding balance of treasury shares as of end-June stood at 208,335, representing 2.73% of the company's share capital. Equity as a percentage of the balance sheet total reached 76% compared with 73% at end-2016, which was the result of a strong rise in net profit. Importantly, ÖWAG's cash position improved considerably to €12.6m in H117 (57% of the balance sheet total) from €8.8m (44%) in FY16.

Exhibit 1: H117 results highlights			
€000s	H117	H116	y-o-y
Total revenue	8,059	3,950	104.0%
Costs of services	(1,773)	(2,166)	-18.2%
Personal expenses	(1,413)	(847)	66.9%
Other operating expenses	(850)	(691)	23.1%
D&A	(68)	(67)	2.3%
Income from affiliated companies	0	1,560	N/A
EBIT*	3,955	1,740	127.3%
EBIT margin (%)	49.1%	44.0%	402 bps
Other interest and similar income	6	44	-85.3%
Interest and similar expenses	(2)	(1)	53.3%
EBT	3,959	1,782	122.2%
EBT margin (%)	49.1%	45.1%	402 bps
Income tax	(944)	(193)	388.4%
Effective tax rate (%)	23.9%	10.9%	1,300 bps
Net profit for the period	3,015	1,588	89.8%
Net margin (%)	37.4%	40.2%	-281 bps
Source: ÖKOWORLD accounts. Note: * EBIT numbers based on Edison calculations			

The performance of ÖWAG's respective funds is illustrated in Exhibit 2. Growing Markets 2.0 (12% of total AUM as of 8 September) is leading the way with returns of 12.8% (C-units) and 13.4% (D-units) ytd, while ÖWAG's flagship fund Ökovision Classic (73% of total AUM) posted returns of 6.7% (C-units) and 5.2% (A-units).

**Exhibit 2: Funds AUM and performance**

Fund	Ytd return	AUM (€m)
Ökovision Classic C Anteile	6.7%	637.1
Ökovision Classic A Anteile	5.2%	70.3
Growing Markets 2.0 D Anteile	13.4%	66.2
Growing Markets 2.0 C Anteile	12.8%	51.1
New Energy Fund	0.2%	58.4
Rock 'N' Roll (formerly: Ökotrust)	7.0%	45.0
Klima	9.3%	24.1
Water for Life	6.1%	17.7
Total	-	969.8

Source: ÖKOWORLD accounts, Bloomberg. Note: Ytd return and AUM as at 8 September 2017.

## Valuation

A peer group valuation appears to be difficult, as directly comparable business models are not seen in the market. In most cases, the asset management units are not listed, while the funds are listed and trade around NAV.

Companies with both business structures might include Patrizia Immobilien (real estate asset management in separate funds, asset structuring and advisory); MLP (an insurance broker and asset advisory, running its own fund group); IMPAX Asset Management (managing and advising on approximately US\$6.8bn primarily for institutional clients); and AZIMUT asset management (specialised in asset management, the group offers financial advisory services for investors, primarily through its advisor networks).

Following the 27% price appreciation ytd, ÖWAG shares trade at a premium to the peer group on P/E and EV/EBITDA for FY17e of 4% and 27%, respectively. The premium widens in FY18e and FY19e due to limited earnings growth expectations (6-7% per annum) as per Bloomberg consensus estimates. However, ÖWAG's earnings growth may differ significantly from current market consensus, given that it is largely driven by performance fees based on the high-water mark approach. Importantly, a potential negative factor to take into account in a peer comparison is that ÖWAG's listed shares are non-voting preference shares, while the non-listed voting stock is in the hands of management and selected employees. On the other hand, ÖWAG offers an attractive dividend yield of c 4%, above the peer average for FY17e and FY18e.

**Exhibit 3: Peer group comparison**

	Market cap	P/E (x)			EV/EBITDA (x)			Dividend yield (%)		
	(€m)	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e
MLP	641.0	21.5	15.7	14.4	8.5	6.5	6.1	3.2%	3.8%	4.9%
Patrizia Immobilien	1,418.9	24.1	20.0	17.8	13.2	11.3	10.0	1.2%	1.7%	2.0%
IMPAX	131.0	22.4	17.9	14.1	15.1	11.2	9.6	2.7%	3.3%	4.2%
AZIMUT	2,516.3	13.0	12.3	11.3	9.6	9.0	8.0	6.6%	7.0%	7.7%
<b>Peer group average</b>		<b>20.2</b>	<b>16.5</b>	<b>14.4</b>	<b>11.6</b>	<b>9.5</b>	<b>8.4</b>	<b>3.4%</b>	<b>3.9%</b>	<b>4.5%</b>
ÖKOWORLD	99.7	21.0	19.7	18.4	14.7	13.7	12.8	4.0%	4.0%	4.0%
<b>Premium/(discount) to peer group</b>		<b>4%</b>	<b>20%</b>	<b>28%</b>	<b>27%</b>	<b>45%</b>	<b>52%</b>	<b>-18%</b>	<b>-2%</b>	<b>10%</b>

Source: Company accounts, Bloomberg consensus estimates as at 8 September 2017

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt and Sydney. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. [www.edisongroup.com](http://www.edisongroup.com)

#### DISCLAIMER

Any Information, data, analysis and opinions contained in this report do not constitute investment advice by Deutsche Börse AG or the Frankfurter Wertpapierbörse. Any investment decision should be solely based on a securities offering document or another document containing all information required to make such an investment decision, including risk factors.

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Deutsche Börse AG and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.