

# FinTech Group

## Leading online brokerage

FinTech Group's (FTG) online brokerage business, Flatex, has been benefiting from the popularity of exchange-traded products and its customer base rose by c 30k over nine months to c 200k as at end-September. Flatex's market share has risen to c 25% in Germany and c 50% in Austria, and further European expansion is planned. In addition to its brokerage businesses, FTG leverages its value chain by providing modular and standardised core banking technologies to B2B customers, most of which are banks. Management's goal is to grow the business both organically and through acquisitions so that it generates €150m of annual revenues in the mid-term along with EBITDA of €50m. Despite being the fastest-growing major broking business in Europe, the shares continue to trade at a discount to the sector.

### Investment case: Combining a bank with technology

A key differentiator is that FTG owns both a bank and a software business, which uniquely gives it exposure to the bulk of the value chain. Flatex's 200k customers are among the most active in the market, generating c 47 trades per customer per year. We see upside possibilities from the sale of FTG products to non-FTG clients, and we see the potential for fee increases given the rate per trade has remained unchanged for 11 years. Additionally, FTG is a play on a strengthening economy and subsequent rising interest rate environment as the group stands to benefit from interest income on its extensive customer deposits. With the ECB deposit rate at minus 0.4%, we believe there is more scope for rises than further declines.

### H117 results: Net profit nearly trebles to €7.0m

H117 group revenue grew by 2.5% to €49.6m while underlying EBITDA rose by 8.5% to €13.0m. Overall, 23k B2C clients were added during the period, taking the total to 235k. Three new B2B projects were delivered, including a project for a large multinational bank that is setting up its euro deposit collection business in Frankfurt instead of London, due to Brexit, and is adopting FTG's technology platform. FTG is confident it will win further business as a result of Brexit. Net profit nearly trebled to €7.0m and the group's equity ratio rose to 7.0% from 5.9% a year earlier.

### Valuation: Attractive relative to peer group

The shares trade on 15.6x FY18 consensus earnings. We continue to believe this rating looks very attractive relative to its peer group, given FTG's favourable growth profile and improving margins.

#### Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	75.0	19.7	(0.13)	0.0	N/A	N/A
12/16	95.0	30.6	0.73	0.0	31.0	N/A
12/17e	105.5	35.5	1.13	0.0	20.1	N/A
12/18e	118.3	43.4	1.45	0.0	15.6	N/A

Source: Bloomberg

#### Financial services

15 November 2017

**Price** €22.66  
**Market cap** €381m

#### Share price graph



#### Share details

Code FTK  
 Listing Scale  
 Shares in issue 16.8m

#### Business description

FinTech Group (FTG) is an integrated online brokerage business. It is divided into two business areas – a technology business and a financial services business that includes a bank and a brokerage business.

#### Bull

- Attractively valued against brokerage peer group.
- Favourable regulatory environment within Europe.
- Positioned to benefit from eventual upswing in interest rate cycle.

#### Bear

- Focused on the German market with limited geographical exposure.
- The company does not pay a dividend as the focus is on investing for growth.
- Complex group structure, which is being amended.

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