

flatex

Financials

Rating	Price Target	Price	Market Cap (m)
Buy	€33.00 (from €29.00)	€26.80	€524
NOSH (m)	Free Float	Cons. Rec.	
20	70.1%	5.0	

Source: Commerzbank Research, Bloomberg, powered by Arabesque S-Ray (16 January 2020)

Company Update

Fee increases go into the next round - TP up to €33

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Author: **Christoph Blieffert**

We recommend buying more flatex shares: 1) A new custody fee should increase EPS by 21% and 18% in 2020/2021, respectively; 2) Directors' dealings activity has been high in recent weeks - potentially an indicator of a rising share price in the future; 3) Synergies of the DeGiro acquisition should boost earnings in the years to come. None of these three factors have already been priced into the shares, in our view. We raise our target price to €33 (previously €29) and confirm our Buy recommendation.

Rising prices in the German online brokerage market

Introduction of a new custody fee: Trading fees are in decline in the US, while on the rise in the German online brokerage market. According to Broker-Test, a German comparison portal, brokerage fees were up ~7% over the past two years, having been in free fall since 2000. In particular, onvista bank, comdirect and maxblue (the online broker of Deutsche Bank) increased their fee structures over the most recent quarters. flatex's management decided to follow competition and plans to increase its fee structure in March 2020: The company will introduce a custody fee of 10bps on assets under management incl. VAT starting 1 March 2020. Based on AuM of €10bn at the end of year-end 2020 (CBK estimate - B2C assets only), we calculate incremental annualized net revenues of €8m in 2020 and €8.8m in 2021 resulting in 21% and 18% higher EPS - *see Chart 1 for an extract of flatex' pricing list.*

Follow the insiders - elevated buying activity post DeGiro deal

flatex is a company where management already owns a relatively high stake. Hence, following directors' dealing activity is important and has often been a good indicator of sharply rising share prices in the past - *see Chart 2.* The relatively high buying activity post DeGiro acquisition indicated that insiders remain committed to the company while having increased their positions - clearly good news: Insiders invested an additional €1.1m in the company at an average price of €22.10 while the range was €21.64 - €26.69. We recommend following the insiders.

DeGiro acquisition to accelerate earnings growth

We expect the DeGiro acquisition to create substantial value beyond 2021. The main driver should come from the synergy side: management anticipates creating synergies of >€30m already in 2021, worth >€0.78 EPS, without any material restructuring costs. Those synergies are driven by a) cost savings in post-trade services totaling to €15-20m; b) the creation of one common IT platform which should result in cost savings of €10-15m; c) using flatex' banking license for DeGiro operations (€3-5m) and d) combining marketing/bargaining power worth €2-5m of synergies. We are particularly bullish on the revenue side as flatex' lombard loan as well its strategic partnerships on the ETP side should provide value to the DeGiro client base. Hence, we expect the shares to further re-rate: A 33% EPS CAGR (2019-2022E) for 14.9x 2021 earnings is still undemanding and highly attractive, in our view. We confirm our Buy recommendation; new target price of €33 (€29).

Key Financials

Year End Dec (€ m)	2017A	2018A	2019E	2020E	2021E	2022E
Net revenues	107	125	132	144	253	263
Adj. EBITDA	32	42	40	56	101	115
Adj. EBITDA margin	30.0	33.9	30.6	38.8	39.8	43.9
Adj. EBIT	26	34	29	41	76	88
Net income adjusted	17	21	18	25	49	57
EPS adjusted	1.00	1.18	0.90	1.30	1.80	2.12
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
(P/E)	26.8	22.8	29.7	20.7	14.9	12.6
EBIT margin	24.7	27.3	21.8	28.5	30.0	33.6

Source: Commerzbank Research, Bloomberg, Company Information

Chart 1 - flatex: a new custody fee will be introduced

Preis- und Leistungsverzeichnis

der flatex Bank AG für Kunden der Marke flatex gültig ab 01.03.2020

1. Konto & Depot	
Cash-Konto Zinssätze (variabel)	
Zinssatz innerhalb bewilligter Kreditlinien*	4,90 % p.a.
Zinssatz Überziehungen aus Dispositionsgründen* (Geduldete Überziehung)	7,90 % p.a.
Guthabenzins (freibleibend)**	minus 0,50 % p.a.
*Rechnungsabschluss vierteljährlich	
**Rechnungsabschluss vierteljährlich, gilt auch für CFD- und FX-Transferkonten	
Fremdwährungskonten	
Guthabenzins	Den aktuellen Zins zum Fremdwährungskonto können Sie unter www.flatex.de/service/formulare einsehen.
Konto-/Depotführung	
Cash-Konto	kostenfrei*
Fremdwährungskonto	kostenfrei*
Wertpapierdepot	0,1% p. a. inkl. MwSt.**
*zzgl. Auslagen und Nebenkosten	
**Die Höhe der Depotgebühr wird monatlich auf Grundlage des Kurswertes der verwahrten Wertpapiere zum jeweiligen Monatsultimo ermittelt und mit einem Anteil von 1/12 von 0,1% inkl. MwSt. bewertet. Die Abrechnung der Depotgebühr zu Lasten des Verrechnungskontos erfolgt nachträglich zum Quartalsende.	

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Online	
Provisionsatz	5,90 EUR
Erteilung einer Limitorder*	kostenfrei
Order-, Limitänderung/Orderstreichung*	kostenfrei
*sofern vom Handelspartner unterstützt	

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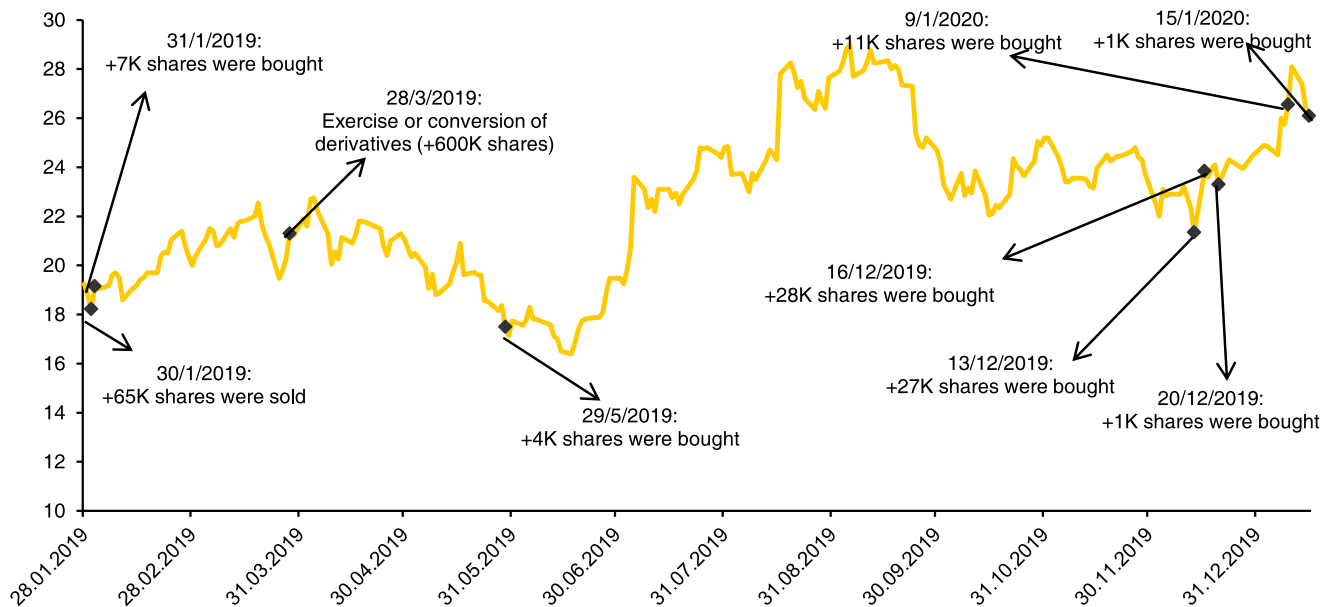
Außerbörslicher Handel über Premiumpartner

Platin-Partner	Order >= 500 EUR	0,00 EUR
	Order < 500 EUR	5,90 EUR
Gold-Partner	Order >= 1.000 EUR	1,90 EUR
	Order < 1.000 EUR	5,90 EUR
Silber-Partner	Order >= 1.000 EUR	3,90 EUR
	Order < 1.000 EUR	5,90 EUR

Sonstiger Außerbörslicher Handel

-	Order >= 1.000 EUR	15,90 EUR
-	Order < 1.000 EUR	5,90 EUR

Chart 2 - flatex: directors' dealing activity



Source: Bloomberg

Profit and Loss

Year End Dec (€ m)	2017A	2018A	2019E	2020E	2021E	2022E
Net revenues	107	125	132	144	253	263
Net revenue growth (%)	12.6	16.9	5.5	8.8	76.3	3.9
Operating expenses	(75)	(83)	(92)	(88)	(152)	(148)
Opex in % of sales	18.7	(5.3)	2.6	4.0	4.0	4.0
Adj. operating expenses	(75)	(83)	(92)	(88)	(152)	(148)
Adj. opex in % of sales	70.0	66.1	69.4	61.2	60.2	56.1
EBIT as reported	26	34	29	41	76	88
EBIT margin (%)	24.7	27.3	21.8	28.5	30.0	33.6
Adj. EBIT	26	34	29	41	76	88
Adj. EBIT margin (%)	24.7	27.3	21.8	28.5	30.0	33.6
D&A	(6)	(8)	(12)	(15)	(25)	(27)
EBITDA as reported	32	42	40	56	101	115
EBITDA margin (%)	30.0	33.9	30.6	38.8	39.8	43.9
Adj. EBITDA	32	42	40	56	101	115
Adj. EBITDA margin (%)	30.0	33.9	30.6	38.8	39.8	43.9
Pre-tax profit EBT reported	25	32	26	37	72	84
Adj. pre-tax profit	25	32	26	37	72	84
Tax	(8)	(11)	(8)	(12)	(23)	(27)
Tax rate (%)	32.5	34.3	31.9	32.0	32.2	32.0
Minorities	0	0	0	0	0	0
Net income attributable to all shareholders adjusted	17	21	18	25	49	57
Net income attributable to all shareholders reported	17	21	18	25	49	57
EPS reported	1.00	1.18	0.90	1.30	1.80	2.12
Adj. EPS	1.00	1.18	0.90	1.30	1.80	2.12
Adj. EPS growth (%)	66	18	(23)	44	39	18

Source: Commerzbank Research, Bloomberg, Company Information

KPI

Year End Dec (€ m)	2017A	2018A	2019E	2020E	2021E	2022E
EBITDA growth (%)	22.7	32.2	(4.7)	38.2	80.9	14.5
EBIT growth (%)	(16.2)	23.8	(16.1)	43.9	92.2	17.6
No. of shares (class A) basic	16.8	17.9	19.6	19.6	27.1	27.1
No. of shares (class A) diluted	16.8	17.5	19.6	19.6	27.1	27.1
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Pay-out ratio	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	6.70	9.57	13.03	14.30	12.15	14.27
P/E (x)	26.8	22.8	29.7	20.7	14.9	12.6
P/B (x)	4.0	2.8	2.1	1.9	2.2	1.9
Dividend yield	0.0	0.0	0.0	0.0	0.0	0.0
ROE	14.9	12.6	6.9	9.1	14.8	14.9
ROCE	14.8	12.4	6.9	9.0	14.7	14.7
ROA	1.5	1.7	1.3	1.8	3.2	3.6

Source: Commerzbank Research, Bloomberg, Company Information

Author



Christoph Blieffert

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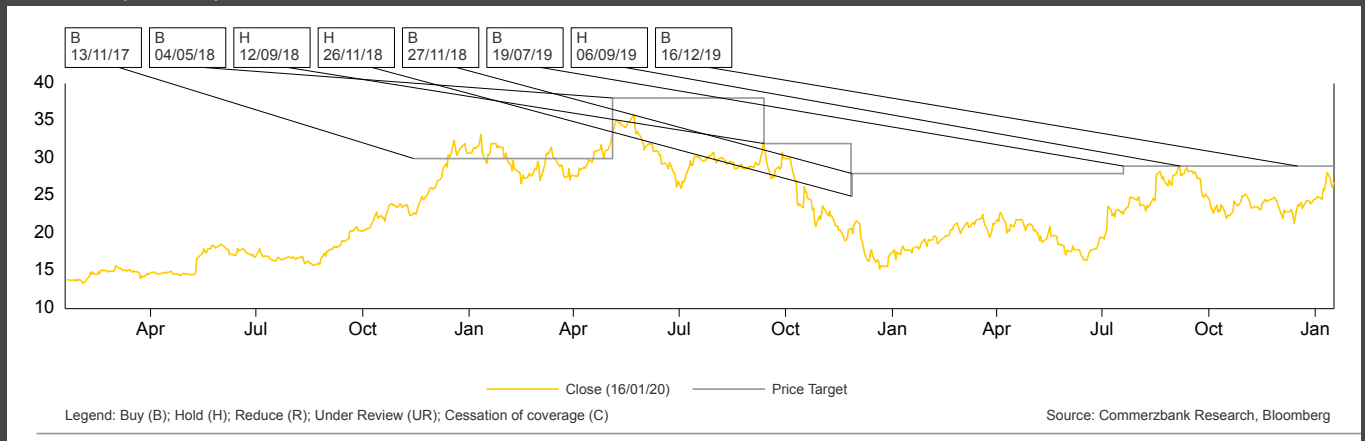
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flatex AG (FTK GY)



Source: Commerzbank Research

Rating and PT Changes

Company Name	Covering Analyst	Rating	Previous Rating	Price Target	Previous PT	Closing Price	Change Date
flatex AG	Christoph Blieffert	Buy	Buy	€33.00	€29.00	€26.80	20/1/2020
flatex AG	Christoph Blieffert	Buy	Hold	€29.00	€29.00	€21.35	16/12/2019
flatex AG	Christoph Blieffert	Hold	Buy	€29.00	€29.00	€28.80	6/9/2019
flatex AG	Christoph Blieffert	Buy	Buy	€29.00	€28.00	€22.95	19/7/2019
flatex AG	Christoph Blieffert	Buy	-	€28.00	-	€20.65	5/7/2019

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92 (45.10%) Buy	23 (25.00%)
92 (45.10%) Hold	20 (21.74%)
20 (9.80%) Reduce	2 (10.00%)

Source: Commerzbank Research

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