

Swissquote Group Holding SA

Switzerland | Financials

1H 2019 earnings update

09 August 2019

Company Data

Price:	CHF 42.96
Market Cap:	CHF 658.5mn
Free Float:	63.4%
No. of shares:	15.3mn
Avg. traded volume (30 Day):	54,784
Bloomberg:	SQN SW
Reuters:	SQN.S
ISIN:	CH0010675863

Source: SIX Swiss Exchange, Bloomberg

Share Price Development (rebased to 100)



Key Financial Data (CHF mn, except ratios and per share data)

	FY17	FY18	FY19E	FY20E
Operating Income Growth	25.0%	14.3%	8.6%	12.3%
Net fee & comm. Inc./OI	45.4%	46.4%	41.6%	40.5%
Cost/income ratio	75.6%	74.9%	78.4%	75.5%
Net Margin (%)	20.9%	20.8%	18.5%	21.1%
Basic EPS	2.73	3.04	2.94	3.77
Diluted EPS	2.73	3.02	2.91	3.74
DPS	0.90	1.00	1.12	1.39
P/E	15.7x	14.1x	14.6x	11.4x
P/BV	2.2x	1.9x	1.8x	1.7x
Yield (%)	2.1%	2.3%	2.6%	3.2%

Source: Research Dynamics, Company data

Next Events

2019 Annual Results	17 Mar 2020
Annual General Assembly	05 May 2020

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Stable revenue despite demanding markets

Flat YoY growth at operating revenues levels and positive outlook over the medium-term

Swissquote's result for the period was stable compared to 1H2018 excluding the one-off costs related to Internaxx integration, founding of Swissquote Pte Ltd. and outlays for a Brexit contingency plans. The operating revenues decreased marginally by 0.7% y/y to CHF 117.2mn. Similarly, the net revenues were almost flat at CHF 112.2mn (down 50bps y/y) adjusted for unexpected events and negative interest rates. The growth was primarily driven by robust net interest income, which increased 35.8% y/y to CHF 21.2mn (excluding the impact of negative interest rate of CHF 5.1mn) and also due to the 12.5% y/y increase in eFX income to CHF 39.5mn. The growth in eFX income was due to a significant increase (33.8% y/y) in assets held in eFX accounts of CHF 439.8mn. However, this was offset by the subdued results in net fee & commission income and trading income, which decreased by 17.9% y/y to CHF 45.6mn and 6.8% y/y to CHF 10.9mn, respectively. Although the results for 1H2019 were flat compared to the same period last year, net revenues sequentially improved by 10.3% with total assets held increasing by 28.1% to CHF 30.5bn. Buoyed by the improved operating matrix, management has upgraded the full year 2019 guidance, with net revenue expectation increasing 9.6% y/y to ~ CHF 235mn and pre-tax profit expectation increased to CHF 48mn (previously CHF 44mn) including an impact of ~CHF 6mn (previously CHF 10mn) at pre-tax profit levels on account of Internaxx Bank integration, founding of Swissquote Pte. Ltd and outflows for Brexit contingency plans. Out of the CHF 6mn one-off impact, the company has already incurred CHF 1.2mn in the first half and expects to incur ~5mn in the second half of 2019, with an additional CHF 1.8mn forecasted for the full year 2020.

At CHF 30.5bn, client assets rose 19.5% y/y, primarily driven by assets in trading accounts (20.9% y/y) to CHF 29.6bn, as the number of trading accounts increased to 264,210 (+5.8% y/y) and also supported by eFX assets which grew 33.8% y/y to CHF 439.8bn. Net new money inflow came in at CHF 3.4bn out of which 36.4% (CHF 1,241.5mn) was from Europe followed by APAC & Americas (22.1%), MEA (21.7%) and Switzerland (19.8%). Out of total CHF 3.4bn net new money inflow during the period, CHF 1.2mn was organic and the remaining CHF 2.2mn came from the Internaxx integration. Management expects organic net new money inflow of CHF 1.8bn in the second half of the year, which would take the net inflow to CHF 5.2mn for the entire year. The total number of accounts grew by 5.3% y/y to 339,172 reflecting a 20.9% increase in eForex accounts to 51,974 and a 27.2% increase in Robo-Advisory accounts to 3,026 and a 5.8% increase in trading client accounts to 264,210. All accounts witnessed significant growth, except savings accounts which decreased further by 26.0% y/y to 19,962, mainly due to the negative interest rate environment as well as the termination of the cooperation agreement with Swiss Life as of December 31, 2018.

Operating expenses increased to CHF 87.1mn (6.3% y/y), reflecting higher depreciation and amortisation expenses (25.0% y/y) due to the adoption of IFRS 16. This was partially offset by a 7.6% decline in other operating expenses to CHF 19.4mn. The Group continued to invest in technology, marketing and employees. Employee related expenses rose to CHF 40.7mn (+9.0% y/y) with the average number of employees growing by 10.9% to 680. Marketing expenses decreased by 9.4% y/y to CHF 10.8mn. The pre-tax profit margin narrowed to 22.4% (27.3% in 1H2018), while net profit declined by 14.3% to CHF 22.0mn and the corresponding margin contracted by 3.2pp to 19.6% due to higher depreciation & amortisation, employee related expenses and one of expense of CHF 1.2mn related to Internaxx integration and others.

Fee and commission income decreased by 18.2% to CHF 50.0mn, due to a significant drop in brokerage and related income, which declined by ~24.0% to CHF 35.6mn. The decrease in brokerage and related income was attributed to lower contribution from cryptocurrencies trading income, down 60.0% y/y to CHF 3.2mn, coupled with heightened volatility in the international markets due to the US-China trade tensions. Although revenue contribution from cryptocurrencies decreased in 1H2019, management is positive and expecting growth from cryptos going forward, as they have received the necessary regulatory permission from FINMA and now clients can transfer their crypto money into their Swissquote wallet. We believe this should be viewed as a significant positive by investors and should have a positive impact on crypto trading volume going forward. In addition, other commission income and advertising & subscription fees decreased as well, partially supported by custody fees, which improved by 3.8% y/y to CHF 5.8mn. The number of trading accounts increased by 5.8% y/y to 264,210 and the total trading client assets increased to CHF 29.6bn (up 20.9% y/y) with average assets per client improved to ~CHF 112K from CHF 98k in 1H2018.

Net interest income increased 35.8% y/y to CHF 21.2mn, excluding the impact of negative interest rate expenses in 1H2019. The total cash deposit, subject to negative interest, has increased to CHF 989.0mn from CHF 753.2mn in FY2018 due to the inclusion of cash subjected to negative interest rate from Internaxx consolidation. Consequently, costs related to the negative interest rate has increased to CHF 5.1mn from CHF 4.2mn in 1H2018. The net interest income, including the impact of negative interest increased 41.2% y/y to CHF 16.1mn. The primary reason behind a significant increase in interest income was the growth in the income from derivative financial instruments, which rose to CHF 21.4mn from CHF 17.4mn in 1H2018. Also, supported by interest income on 'loans and due to customer' and 'due from banks' which increased to CHF 5.2mn from CHF 4.2mn and to CHF 2.6mn from CHF 115K respectively, coupled with one time other income of CHF 698k.

Net trading income decreased by 5.7% to CHF 50.9mn, however, adjusted for a one time gain of CHF 7.0mn in 1H2018 related to derivate financial instruments and trading assets and investments securities, net trading income increased by 8.4% y/y from CHF 46.9mn in 1H2018. The growth was primarily driven by higher revenue from eForex (eFX, currency trading with leverage) business, which was up 12.5% y/y to CHF 39.5mn. The total number of active clients in the eFX division increased 20.9% y/y to 51,974 while total assets increased by 33.8% y/y to CHF 439.8mn. Moreover, dollar per million (DPM) improved to USD 67.0, as compared to USD 61.2 in 1H2018, supported the growth of eFX income. Sequentially, the total volume for eFX increased marginally by 90bps to USD 590.8bn.

Sustained investments and innovation aimed at long-term growth

The company is continuously focussing on the expansion of its trading platform, also by leveraging its technological advancement to gain access to new markets. The Group is thus getting 9 new online stock exchanges from the APAC region into their platform to gain market access in new geographical areas. The 9 exchanges, namely Singapore, Japan, Australia, China, Hong-Kong, Indonesia, Malaysia, Thailand and Vietnam, are planned to be made available starting from 4Q2019. The company is also expecting a healthy net new money inflow from APAC region going forward. In addition, the newest member of Swissquote Group, the Swissquote Singapore has received the Capital Market Services License on 30th July 2019 from the Monetary Authority of Singapore (MAS) and expects to launch its business in the next couple of months. Moreover, with innovation and technological advancement as part of its strategy, Swissquote introduced a upgraded platform named Professionals for independent asset managers and institutional partners for the management of portfolios and administrative account management. Also, the company added the new transfer feature to its crypto trading, which is available in eBanking for retail as well as institutional clients. Swissquote also introduced 6 new certificates under its newly launched thematic trading platforms. The newly launched certificates are China's Dragon Certificate, Digital Payment Certificate, Rare Earth Metals Certificate, Robotics & AI Certificate, Global Defense Certificate and 5G Revolution Certificate.

Internaxx Bank SA, integrated in "Securities trading"

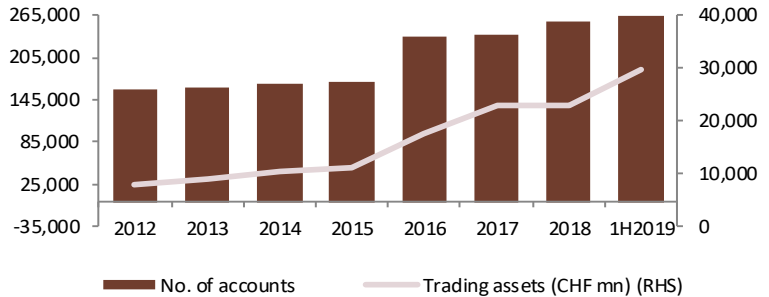
On 22nd March 2019, Swissquote, after receiving the regulatory approval from the European Central Bank (ECB) and the Commission de Surveillance du Secteur Financier (CSSF), completed the 100% acquisition of ordinary share capital of Internaxx Bank SA. Total identifiable consolidated assets of Internaxx bank was measured at CHF 25.3mn with EUR 5.3mn (CHF 6.0mn) in goodwill. This will be treated as an asset of the foreign operations (subjected to FX translation differences).

The acquisition of Internaxx bank has given a much needed access to the entire European market and should drive Swissquote's business further as an online trading partner for retail as well as institutional clients. During the last three months after the effective integration from 23rd March 2019 onwards, the ordinary operations of Internaxx added CHF 3.5mn to the operating income of the Group (CHF 1.3 million in net fee & commission income, CHF 1.8 million in net interest income and CHF 0.4 million in net trading income) and CHF 0.4mn to the net profit. In addition, Internaxx generated operating income of CHF 6.4mn and net profit of CHF 0.7mn since beginning of this year. We believe, that for the remainder of the year it might generate approximately CHF 8mn on the back of synergy benefits, which makes CHF 14.4mn at the operating revenues level and CHF 1.6mn at the net profit level (net profit margin of 11.0%). Although the accounting integration has happened on 22nd March 2019, the company is expecting a full operational integration by 1Q2020, when Swissquote will leverage its low cost technological platform and expertise to fully serve Internaxx clients. We believe the full operational integration should also help Swissquote to achieve significant cross-selling benefits and positively impact the Internaxx related operations in terms of top line and profitability from 1Q2020 onwards.

UPDATE ON KEY DRIVERS

The revenues of Swissquote are driven by a combination of three key variables: volume of transactions within the securities trading segment as well as in the eFX, and the amount of banking assets in the balance sheet. The company's fee & commission income is generated from the volume of transactions initiated by the clients through its platform. The clients trade on various asset classes such as securities, derivatives, mutual funds, currencies, ETFs, bonds, commodities, cryptocurrencies and few other asset classes.

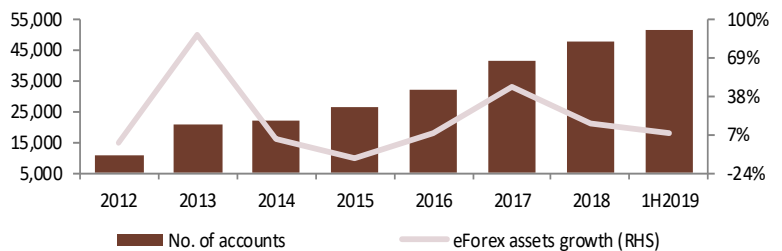
Exhibit 1: Trading accounts and trading assets growth



Source: Company data, Research Dynamics

During 1H2019, Swissquote's total trading accounts increased 3.0% sequentially to 264,210, while total trading client assets increased by 28.9% to CHF 29.6bn. Income generated through eFX is also dependent on the volume of transactions. In 1H2019, the company achieved a Dollar per million (DPM in CHF/USD) of USD 67, which shows how much the group is earning on each millions of transaction value. The DPM should be maintained going forward as the company is focussing on high net worth clients. The company's eFX assets have grown during the period to CHF 439.8mn.

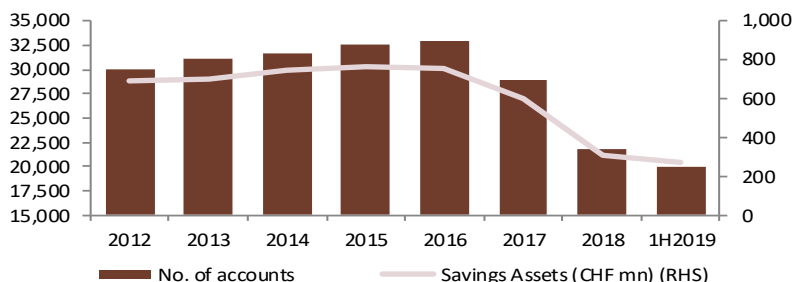
Exhibit 2: eForex accounts and assets growth



Source: Company data, Research Dynamics

The banking business generates revenue through investment in securities, lending of money to third parties (banks and other institutions) and providing margin loans to clients, who maintain an account with Swissquote and trade through its platform. Swissquote's client deposits, with ~50% denominated in Euro and USD, can be divided into two categories: 1.) Deposits meant for trading and 2.) Money in the savings account. The client trading deposits earns nil or marginal remuneration as the purpose of these deposits are solely investments in securities. On the other hand, money in the savings account is eligible for interest. However, record-low interest rates have resulted in a reduction in savings accounts over the years. Accordingly, the total number of savings accounts stood at 19,962 as of June 2019, while assets in savings accounts amounted to CHF 269.7mn. We believe the savings deposits might increase as the negative interest rate scenario reverses in the future.

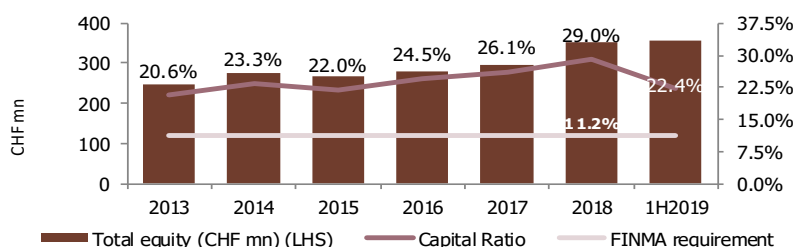
Exhibit 3: Savings accounts and savings assets growth



Source: Company data, Research Dynamics

Capital ratio at 22.4% as total equity increased to 9.6% y/y to CHF 356.9mn in 1H2019. The company has remained well capitalised over the years (FY18: 29.0%, FY17: 26.1%, FY16:24.5%). As of June 2019, Swissquote’s capital ratio was at 22.4%, in line with our expectations. The decline in the capital ratio was due to two reasons, the dividend payment and the acquisition of Internaxx, which was funded internally. The current capital ratio is well above the FINMA guide lines of minimum 11.2%, accordingly, the company remains one of the best capitalised banks in Switzerland.

Exhibit 4: Total equity and capital ratio



Source: Research Dynamics, Company data

Our long-term projections assume a reversal of the negative interest rate regime to zero interest rate starting from FY2021, which should free-up excess cash from the balance sheet. This excess cash can be utilised for various revenue generating activities such as inter-bank deposits and lending. Accordingly, we foresee an incremental revenue generation of ~ CHF 12mn (previously 10mn, now increased due to Internaxx) initially, without incurring any additional capital cost by 2021. However, it might drag down the capital ratio to ~18% in FY 2021 as compared to the current capital adequacy ratio (CAR) of ~22.0%. Nevertheless, the reduced CAR (~18%) would still be significantly above the current FINMA requirement of 11.2%.

Exhibit 5: Changes in estimates

CHF mn (except per share)	FY2019E			FY2020E		
	Old	New	%▲	Old	New	%▲
Net fee and commission income	104	97	-6.9%	119	106	-11.0%
Net interest income	26	34	30.9%	33	49	48.3%
Operating income	228	233	2.2%	254	262	3.0%
Operating profit/PBT	46	50	9.4%	56	64	14.4%
Net profit	39	43	10.4%	49	55.2	12.7%
Diluted EPS	2.66	2.91	9.6%	3.29	3.74	13.6%

Source: Research Dynamics

We have revised our financial projections based on the current business dynamics and management commentary and their positive guidance of achieving a client assets base of CHF 36bn by 2022 with pre-tax profit of CHF 100mn. Although, we have revised our estimates upward given the broad based strong performance across business divisions, we are however being conservative as Swissquote will have to grow against a higher base. In 1H2019, the net fee & commission took a hit due to lower revenues from cryptocurrencies and weak performance at various stock exchanges due to international trade tension (the US-China trade war). Accordingly, we have reduced the net fee & commission income. We believe that through continuous investment in innovation and technology, the company will perform better in coming periods.

In our view, the company will have to increase its operating expenses in absolute terms, mainly for marketing and employees to sustain the top line growth. In addition, the integration of Internaxx, which has a net margin of 11%, is expected to drag the overall margin of the company. Hence, Swissquote might have to take a hit on its pre-tax margin, which might settle at 18-20% (~15% in tough conditions) in the long term. We have raised our operating profit projections a tad higher than the company’s guidance of CHF 48mn acknowledging its continuous endeavours to reduce overall cost and gain operational efficiencies using its advanced technological platforms. In this regard, it is encouraging to see that management is being able to reduce the previously expected one-time costs related to the Internaxx integration, the Singapore build-up as well a Brexit exit plan of ~CHF 10mn to CHF 6mn for the FY 2019.

We have now consolidated Internaxx within Swissquote financials for three quarters of 2019. We have estimated an additional ~EUR 11.7mn of revenue from Internaxx for the

relevant period during FY2019. We have modelled first full year of contribution from Internaxx for FY2020.

VALUATION

We have revised our estimates upwards (exhibit 5), based on 1H2019 performance and the positive outlook shared by the company. The stable performance during the period demonstrated the execution of its growth strategy and provided investors with the conviction on the company’s ability to grow consistently. As the result and guidance both were in line with our expectations, hence, we have not revised our DCF based target price of CHF 64.1 per share. In addition, we have also kept our target price through relative valuation at the similar levels of CHF 64.7 per share (63.4 earlier) . The blended fair value of CHF 64.4 per share by giving equal weight to DCF and Relative Valuation, provides an upside of 49.9% from the current trading level. Hence, we believe the current price level at which Swissquote is trading offers an attractive opportunity to enter.

Exhibit 6: Sensitivity of WACC & terminal growth rate with the share price

Sensitivity of Value per share (CHF)

		Sensitivity Table				
		WACC				
		8.6%	9.6%	10.6%	11.6%	12.6%
Terminal growth rate	0.25%	71	66	62	58	55
	0.50%	72	67	63	59	56
	0.75%	74	68	63	60	56
	1.00%	75	69	64	60	57
	1.25%	76	70	65	61	57
	1.50%	78	71	66	61	58
	1.75%	79	72	67	62	58

Source: Research Dynamics

Exhibit 7: Sensitivity of upside

		Sensitivity Table				
		WACC				
		8.6%	9.6%	10.6%	11.6%	12.6%
Terminal growth rate	0.25%	66.3%	54.1%	44.3%	36.1%	29.1%
	0.50%	68.8%	56.1%	45.8%	37.3%	30.2%
	0.75%	71.5%	58.2%	47.5%	38.6%	31.2%
	1.00%	74.4%	60.4%	49.2%	40.0%	32.4%
	1.25%	77.5%	62.7%	51.0%	41.5%	33.5%
	1.50%	80.9%	65.2%	52.9%	43.0%	34.7%
	1.75%	84.4%	67.9%	54.9%	44.6%	36.0%

Source: Research Dynamics

Exhibit 8: Swissquote – Comparison with average of peers

	P/E			P/B		
	3 year average	CY2019E	CY2020E	3 year average	CY2019E	CY2020E
Peer multiples	19.9x	11.1x	10.5x	3.1x	1.6x	1.4x
Swissquote	18.2x	15.5x	12.9x	2.0x	1.7x	1.6x
Premium (disc) to peers	(9%)	39%	23%	(35%)	6%	8%

Source: Research Dynamics, Bloomberg (as on 08 Aug 2019)

Company	P/E			P/B		
	3 year average	CY2019E	CY2020E	3 year average	CY2019E	CY2020E
Swissquote Group Holding-Reg	18.2x	15.5x	12.9x	2.0x	1.7x	1.6x
Peers:						
Compagnie Financiere Trad-Br	13.9x	NA	NA	1.8x	NA	NA
Tradegate Ag	33.7x	NA	NA	12.0x	NA	NA
Euwax Ag	75.7x	NA	NA	4.9x	NA	NA
Renta 4 Banco Sa	18.6x	NA	NA	2.9x	NA	NA
IG Group Holdings Plc	13.5x	13.8x	13.3x	3.4x	2.5x	2.5x
Interactive Brokers Gro-CIA	27.0x	21.4x	19.7x	3.2x	NA	NA
Ubs Group Ag-Reg	14.4x	8.9x	8.1x	1.1x	0.7x	0.7x
Credit Suisse Group Ag-Reg	20.1x	9.0x	7.3x	0.8x	0.6x	0.6x
TD AMERITRADE HOLDING CORP	25.7x	11.8x	11.3x	4.0x	2.9x	2.7x
E*TRADE FINANCIAL CORP	19.7x	10.4x	9.7x	1.8x	1.6x	1.4x
Median	19.9x	11.1x	10.5x	3.1x	1.6x	1.4x
High	75.7x	21.4x	19.7x	12.0x	2.9x	2.7x
Low	13.5x	8.9x	7.3x	0.8x	0.6x	0.6x
Premium (disc) to peers	(9%)	39%	23%	(35%)	6%	8%

Source: Research Dynamics, Bloomberg (as on 08 Aug 2019)

Exhibit 9: Swissquote – Blended Target price

	Weight	Target price
DCF	50%	64.1
Relative	50%	64.7
Blended target price		64.4
Upside %		49.9%

Source: Research Dynamics, Bloomberg (as on 08 Aug 2019)

Detailed Financial Statements

Income Statement

CHF mn (except per share)	FY16A	FY17A	FY18A	FY19E	FY20E
Fee and commission income	79	96	110	108	117
Fee and commission expense	(9)	(11)	(11)	(11)	(12)
Net fee and commission income	70	85	100	97	106
Interest income	22	32	50	63	67
Negative interest rates expense	(10)	(18)	(24)	(15)	(13)
Interest expense	(1)	(2)	(2)	(14)	(5)
Net interest income	11	12	24	34	49
Net trading income	69	90	99	102	107
Operating income	150	188	223	233	262
Operating expenses	(127)	(142)	(161)	(183)	(198)
Credit loss expense	0	0	(9)	0	0
Operating profit/PBT	23	46	54	50.3	64.0
Income tax expense	(2)	(7)	(9)	(7)	(9)
Net profit	21	39	45	43.0	55.2
Basic EPS	1.39	2.73	3.04	2.94	3.77
Diluted EPS	1.39	2.73	3.02	2.91	3.74
DPS	0.60	0.90	1.00	1.12	1.39

Source: Research Dynamics, Company data

Balance Sheet

CHF mn	FY16A	FY17A	FY18A	FY19E	FY20E
Assets					
Cash and balances with central bank	2,284.7	3,517.1	3,612.2	3,732.8	3,876.2
Treasury bills and other eligible bills	277.6	259.9	346.1	461.0	614.1
Due from banks	398.2	425.4	657.4	657.4	657.4
Derivative financial instruments	41.5	72.4	57.5	45.6	36.2
Trading assets	6.9	8.3	2.8	2.9	3.1
Loans	226.4	278.6	271.2	276.8	280.1
Investment securities	554.5	384.9	318.3	263.2	217.7
Deferred income tax assets	1.0	1.3	1.6	1.6	1.6
Intangible assets	40.5	40.3	40.1	39.9	39.8
Information technology systems	40.7	44.9	51.4	48.0	45.9
Property, plant and equipment	63.9	61.6	59.0	56.8	54.6
Other assets	30.4	21.2	31.9	47.9	67.0
Total Assets	3,966.3	5,115.8	5,449.5	5,634.0	5,893.6
Liabilities and equity					
Liabilities					
Deposits from banks	32.8	171.0	209.2	256.0	313.2
Derivative financial instruments	12.7	24.1	35.8	53.0	78.6
Due to customers	3,600.2	4,566.4	4,782.7	4,897.3	5,026.8
Other liabilities	35.7	50.3	59.3	70.0	82.9
Current income tax liabilities	0.4	5.3	4.8	4.8	4.8
Deferred tax liabilities	1.2	1.6	0.9	0.9	0.9
Provisions	2.3	2.0	4.6	4.6	4.6
Total liabilities	3,685.4	4,820.6	5,097.3	5,286.7	5,511.8
Equity					
Ordinary shares	3.1	3.1	3.1	3.1	3.1
Share premium	42.6	35.3	51.6	51.6	51.6
Share option reserve	2.0	1.5	1.3	1.3	1.3
Other reserve	(1.5)	(2.4)	(6.5)	(6.5)	(6.5)
Treasury shares	(14.0)	(29.3)	(16.7)	(16.7)	(16.7)
Retained earnings	248.7	287.0	319.5	314.6	349.0
Total equity	280.8	295.1	352.2	347.3	381.8
Total liabilities and equity	3,966.3	5,115.8	5,449.5	5,634.0	5,893.6

Source: Research Dynamics, Company data

Cash Flow Statement

CHF mn	FY16A	FY17A	FY18A	FY19E	FY20E
Cash flow from/ (used in) operating activities:					
Fees and commission received	79.2	96.5	110.6	107.6	117.4
Fees and commission paid	(9.3)	(10.3)	(10.9)	(10.8)	(11.5)
Interest received	37.9	41.1	54.7	63.3	67.0
Interest paid	(10.7)	(17.6)	(26.2)	(29.3)	(18.1)
Net trading income received	69.3	88.4	100.6	102.0	106.7
Income tax paid/reimbursed	(0.7)	8.3	(10.3)	(6.9)	(8.8)
Payments to employees	(54.9)	(58.2)	(64.7)	(76.9)	(78.4)
Payments to suppliers	(49.2)	(56.3)	(59.1)	(105.7)	(119.1)
Cash flow from operating profit before changes in operating assets and liabilities	61.7	92.0	94.7	43.5	55.2
Net change in operating assets and liabilities:					
Treasury bills and other eligible bills (above 3 months)	(117.3)	23.1	(112.4)	(114.9)	(153.1)
Due from banks (above 3 months)	14.0	10.5	(46.6)	-	-
Derivative financial instruments (assets)	27.5	(30.9)	14.9	11.8	9.4
Trading assets	-	-	3.7	(0.1)	(0.1)
Loans	(20.9)	(52.5)	(2.6)	(5.6)	(3.3)
Other assets	-	-	-	(16.0)	(19.2)
Derivative financial instruments (liabilities)	(10.0)	11.4	11.6	17.3	25.6
Due to customers	284.9	956.8	200.6	114.6	129.5
Other liabilities	-	-	-	10.7	12.9
Net cash from operating activities	240.0	1,010.4	164.1	108.1	114.1
Cash flow from/ (used in) investing activities:					
Purchase of PPE and information technology systems and Intangible assets	(24.6)	(20.1)	(26.2)	(15.7)	(17.3)
Proceeds from sale and reimbursement of investment securities	848.0	306.5	227.1	55.1	45.5
Purchase of investment securities	(621.6)	(145.3)	(165.5)	-	-
Loans and advances to banks (above 3 months)	-	-	-	-	-
Net cash from investing activities	201.7	141.1	35.4	39.4	28.2
Cash flow from/ (used in) financing activities:					
Purchase of treasury shares	(0.9)	(22.7)	(8.8)	-	-
Sale of treasury shares	-	5.4	37.5	-	-
Transaction costs	-	(0.3)	-	-	-
Dividend and reimbursement from reserves	(8.9)	(8.5)	(13.1)	(16.6)	(20.7)
Net cash used in financing activities	(9.8)	(26.1)	15.6	(16.6)	(20.7)
Net increase in cash and cash equivalents	431.9	1,125.5	215.1	130.9	121.5
Cash and cash equivalents as at 1 January	2,359.3	2,789.8	3,927.2	4,144.1	4,275.0
Exchange difference on cash and cash equivalents	(1.4)	11.9	1.8	-	-
Cash and cash equivalents as at 31 December	2,789.8	3,927.2	4,144.1	4,275.0	4,396.5

Source: Research Dynamics, Company data

Key Ratios

	FY16A	FY17A	FY18A	FY19E	FY20E
Operating Income Growth	2.5%	25.0%	14.3%	8.6%	12.3%
Net fee & comm. Inc./OI	46.3%	45.4%	46.4%	41.6%	40.5%
Net int. inc./OI	7.5%	6.5%	11.3%	14.6%	18.7%
Cost to income ratio	84.6%	75.6%	74.9%	78.4%	75.5%
Net Margin (%)	13.8%	20.9%	16.8%	18.5%	21.1%
ROA (%)	0.5%	0.8%	0.8%	0.8%	0.9%
ROE (%)	7.4%	13.3%	12.7%	12.4%	14.5%
P/E	29.5x	15.0x	13.5x	14.0x	10.9x
P/BV	2.3x	2.2x	1.9x	1.8x	1.7x
P/TBV	2.7x	2.6x	2.1x	2.1x	1.9x
Yield%	1.4%	2.1%	2.3%	2.6%	3.2%
Payout %	43.1%	32.9%	32.9%	38.0%	37.0%
CET 1 ratio %	24.5%	26.1%	29%	-	-

Source: Research Dynamics, Bloomberg, Company data

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